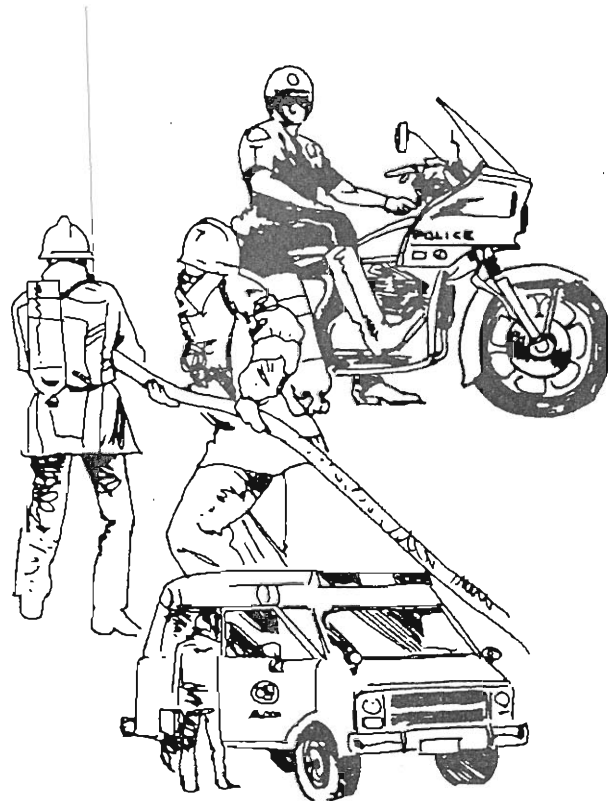


# *ANNUAL REPORT*

*1990*

*CITY OF  
LOS ANGELES  
DEPARTMENT OF PENSIONS*



**FIRE AND POLICE  
PENSION SYSTEMS**

# Department of Pensions

360 East Second Street • Suite 600 • Los Angeles, California 90012

## Annual Report 1990

Gary Mattingly  
*General Manager*

James J. McGuigan  
*Assistant Manager*

Allan Moore  
*Assistant Manager*

Siegfried O. Hillmer  
*Assistant City Attorney*

Dennis R. Sugino  
*Chief Investment Officer*

*Actuary*  
The Wyatt Company

*Auditor*  
Deloitte & Touche

*Custodian Bank*  
Bankers Trust Company

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**MAYOR**  
Tom Bradley

**City Attorney**  
James Kenneth Hahn

**Controller**  
Rick Tuttle

**CITY COUNCIL**

John Ferraro, *President*  
Marvin Braude, *President Pro Tempore*

**Gloria Molina**  
First District

**Joel Wachs**  
Second District

**Joy Picus**  
Third District

**John Ferraro**  
Fourth District

**Zev Yaroslavsky**  
Fifth District

**Ruth Galanter**  
Sixth District

**Ernani Bernardi**  
Seventh District

**Robert C. Farrell**  
Eighth District

**Gilbert W. Lindsay**  
Ninth District

**Nate Holden**  
Tenth District

**Marvin Braude**  
Eleventh District

**Hal Bernson**  
Twelfth District

**Michael Woo**  
Thirteenth District

**Richard Alatorre**  
Fourteenth District

**Joan Milke Flores**  
Fifteenth District

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**BOARD OF PENSION COMMISSIONERS**

Dellene Arthur, *President*

**Kenneth E. Staggs**  
*Vice President*

**Kenyon S. Chan**  
*Commissioner*

**Sam Diannitto**  
*Commissioner*

**Paul C. Hudson**  
*Commissioner*

**Dave Velasquez**  
*Commissioner*

**Leland Wong**  
*Commissioner*

# CITY OF LOS ANGELES

CALIFORNIA



TOM BRADLEY  
MAYOR

ALLAN E. MOORE  
ASSISTANT GENERAL MANAGER—FISCAL

JAMES J. MCGUIGAN  
ASSISTANT GENERAL MANAGER—BENEFITS

DENNIS R. SUGINO  
CHIEF INVESTMENT OFFICER

## DEPARTMENT OF PENSIONS

360 EAST SECOND STREET  
SUITE 600  
LOS ANGELES, CA 90012-4203  
485-2833

GARY MATTINGLY  
GENERAL MANAGER

The Honorable Tom Bradley, Mayor  
and  
Honorable Members of the City Council:

In accordance with Section 64 of the City Charter, I am submitting the annual report on the affairs and operations of the Department of Pensions for the fiscal year ended June 30, 1990.

This was another good year for the System's investment program. Investment assets grew from \$3.3 billion to \$3.85 billion. This represents a doubling of assets from a mere five years ago. In furthering the implementation of the asset allocation plan, we selected and funded international equity managers.

The newly developed Pre-Retirement Planning Seminar program has been well received with over 1,750 applicants on a waiting list. The June, 1990 election authorized small changes in the Pension System, allowing immediate vesting of cost-of-living increases for surviving spouses of members who die in the line of duty, as well as protecting the tax status of the fund from IRS encroachment.

As in past annual reports, we are including financial statements prepared by our auditors, Deloitte & Touche, as well as a summary report of our actuary, The Wyatt Company.

Respectfully submitted,

A handwritten signature in cursive script that reads "Gary Mattingly".

Gary Mattingly

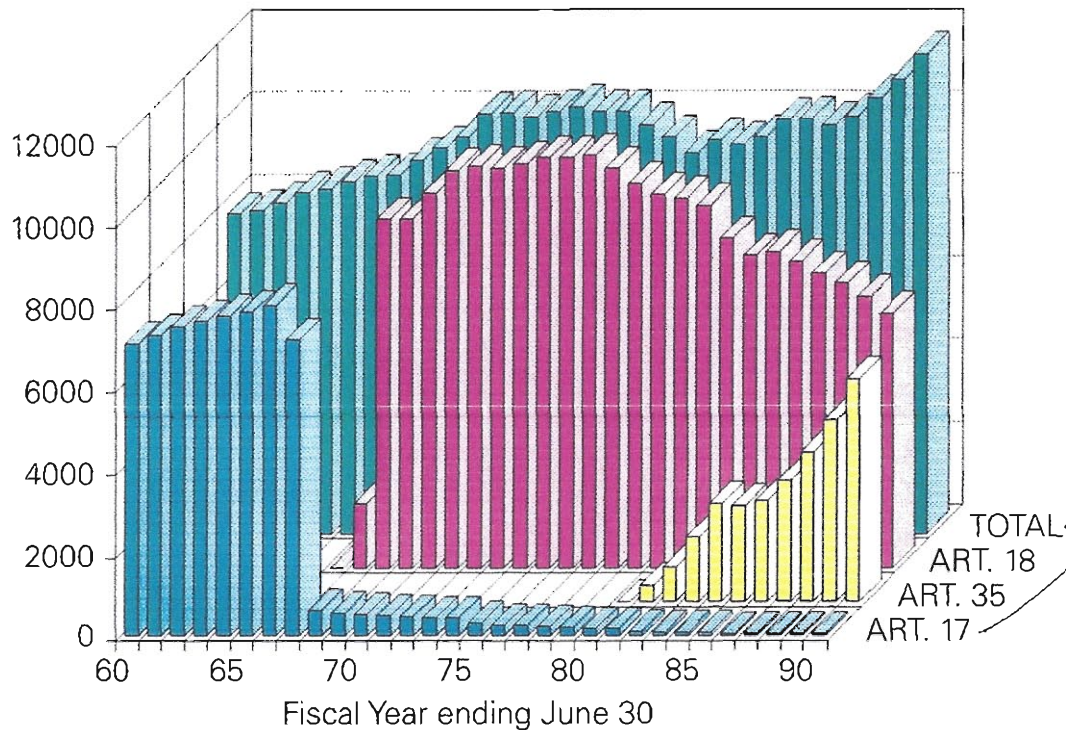


# *Membership*

# MEMBERSHIP

## POLICE AND FIRE PENSION SYSTEMS

Active Membership: 1960-1990



MEMBERSHIP AS OF JUNE 30, 1990			
ARTICLE	FIRE	POLICE	TOTAL
XVII	3	29	32
XVIII	1800	4357	6157
XXXV	1397	3986	5383
TOTAL	3200	8372	11572

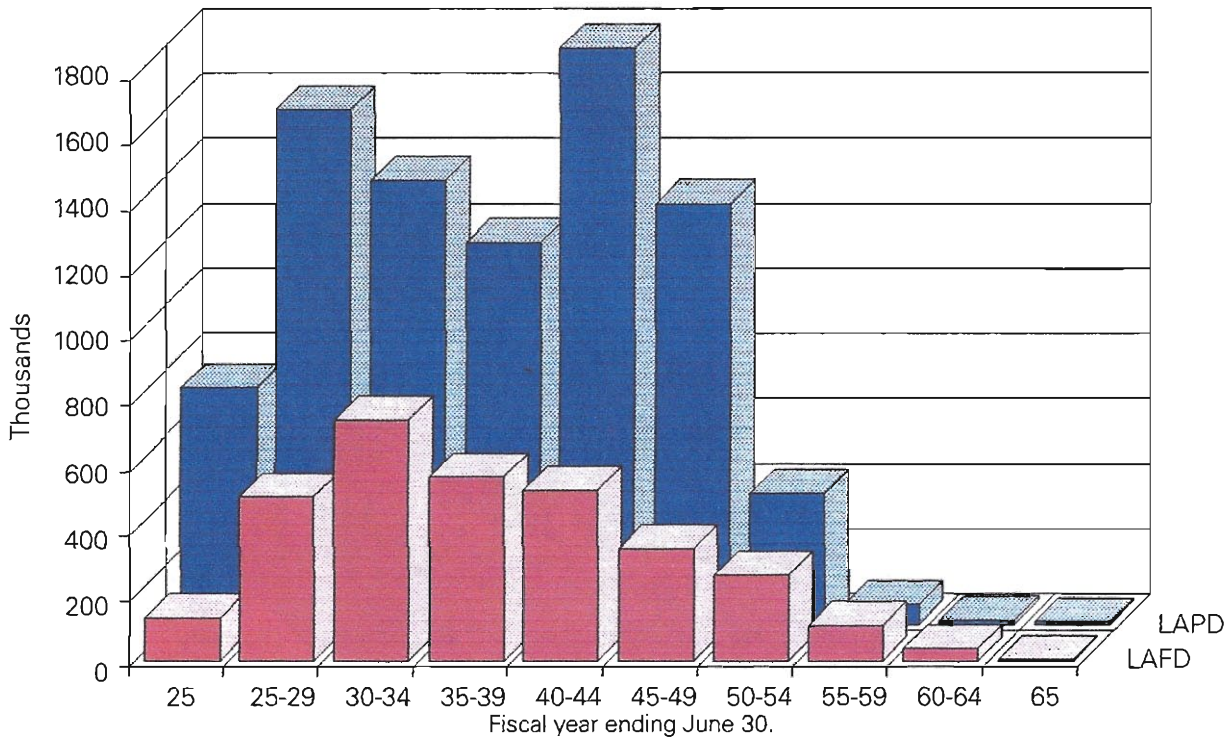
### THREE PENSION SYSTEMS

There are currently three pension systems in operation serving active and retired membership. The *Fire and Police Pension System* was established under Charter Article XVII in 1925. In 1967, this plan was extensively amended. From this process, *The New Pension System (Charter Article XVIII)* came into being. Members of the Article XVII plan were given the option to transfer into this plan.

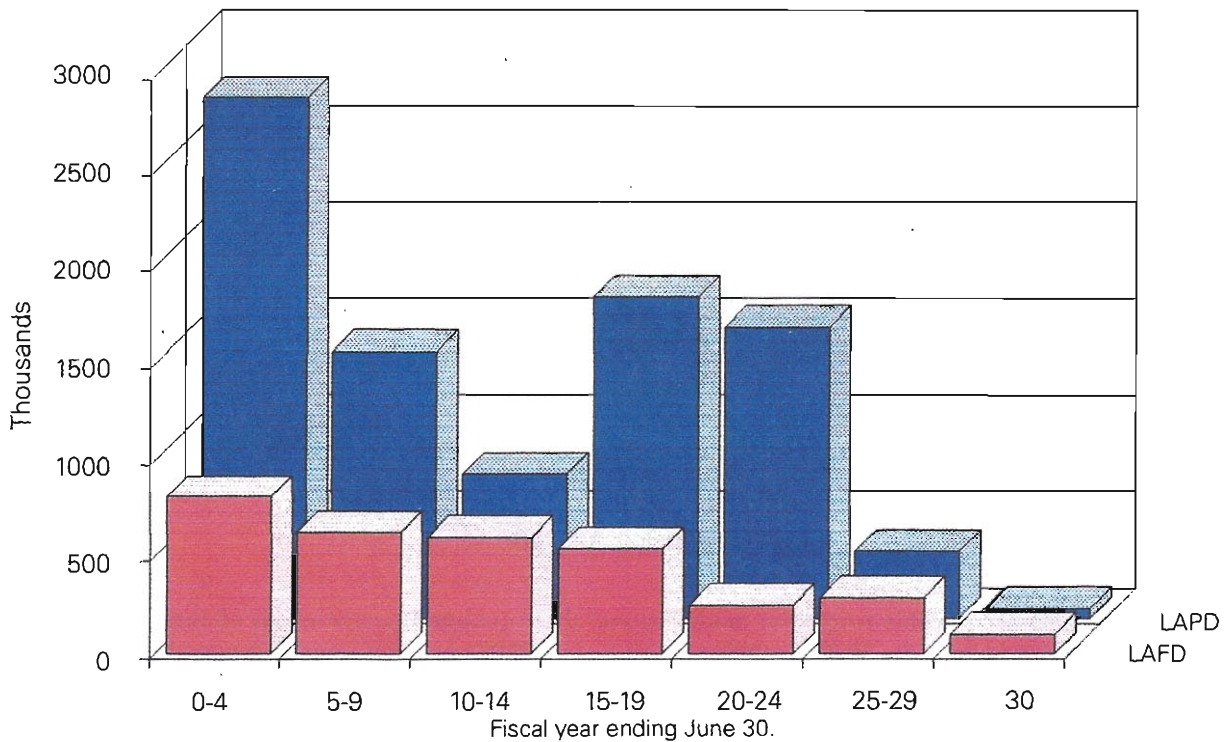
In 1980, the benefits of the system were again extensively revised which resulted in the creation of *The Safety Members Pension Plan (Charter Article XXXV)*. All members new to the system after December 8, 1980 become members of this plan. As can be seen by the graph above, the composition of active membership has changed dramatically while total active membership has increased steadily.

# MEMBERSHIP

## ACTIVE MEMBERSHIP BY AGE GROUP

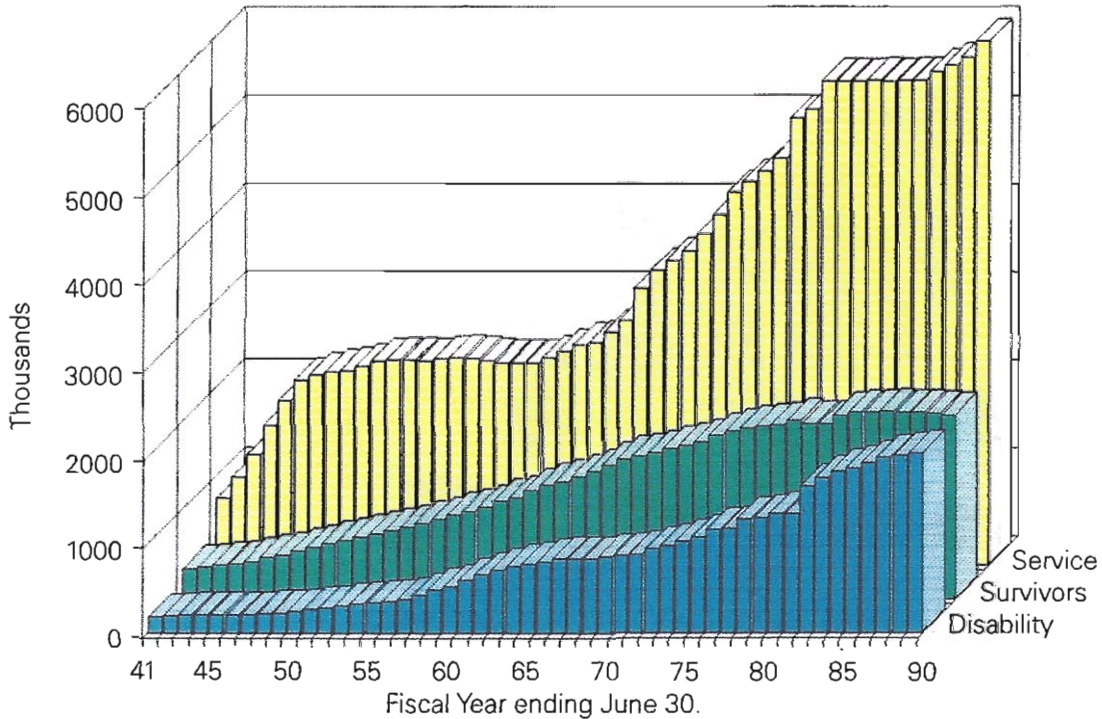


## ACTIVE MEMBERSHIP BY YEARS OF SERVICE



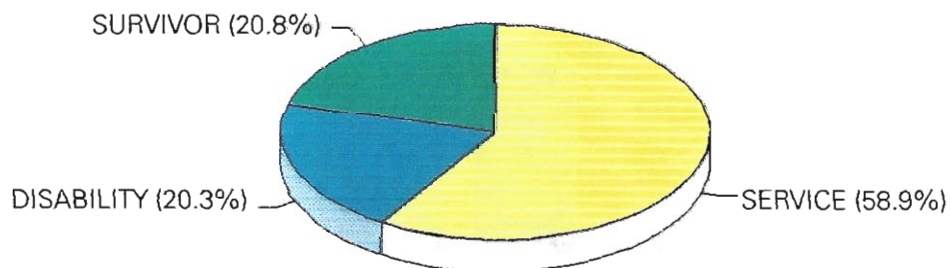
# MEMBERSHIP

## RETIRED MEMBERSHIP LAST FIFTY YEARS



Active membership in the Police and Fire departments more than tripled in the last fifty years resulting in a steady increase in persons receiving pensions, from 1265 in 1941 to 10,094 in 1990.

## TYPES OF PENSIONS



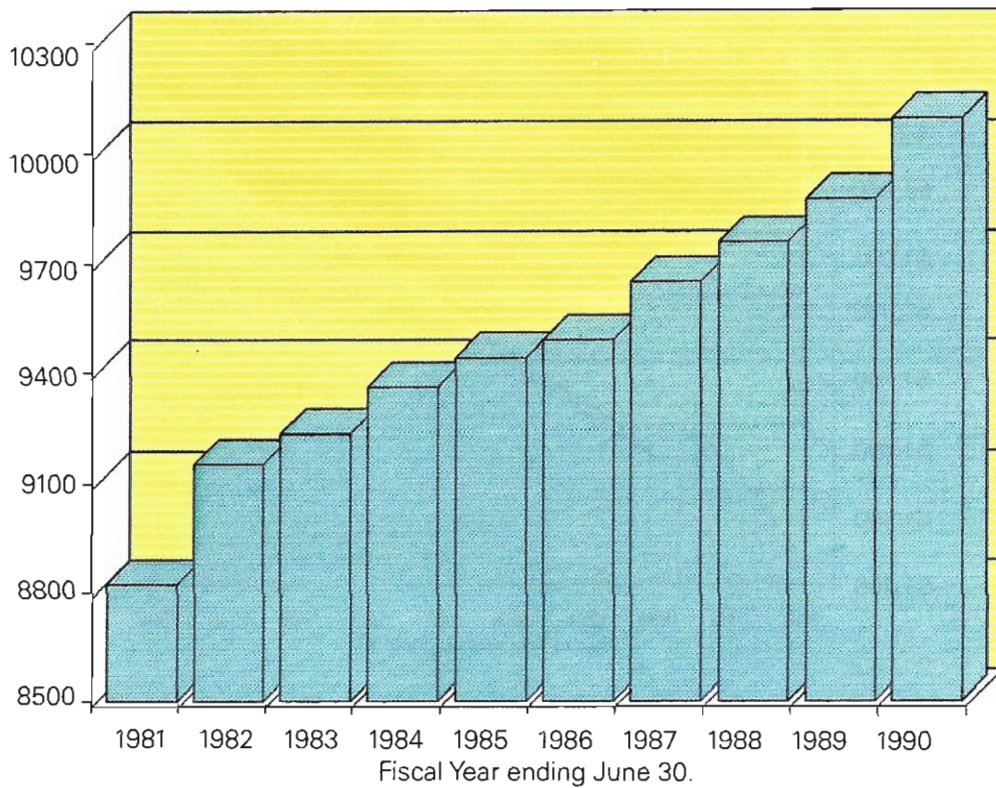
Fiscal year ending June 30.

Pension benefits are payable to system members and their qualified survivors. As of June 30, 1990, 5941 service pensions, 2050 disability pensions and 2103 survivors' pensions were being paid by the Los Angeles Fire and Police Pension System.



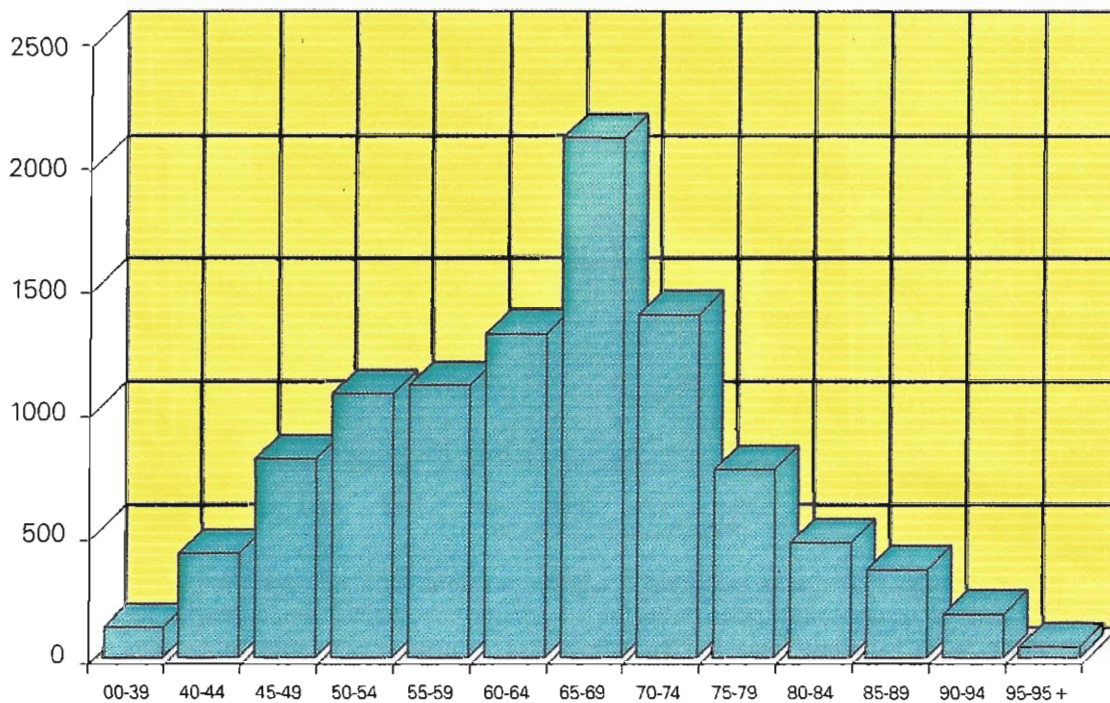
# MEMBERSHIP

## RETIRED MEMBERSHIP



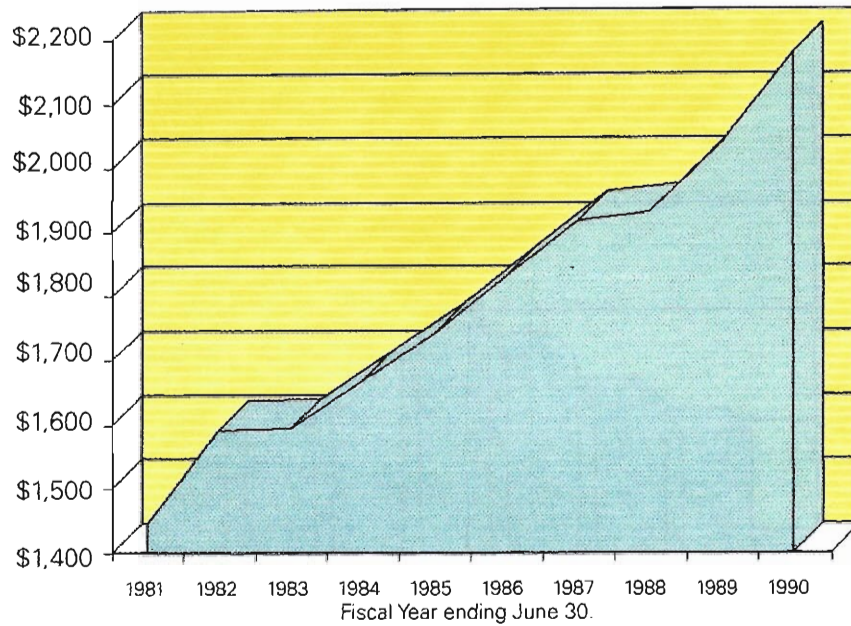
There has been a 13% increase in pensioners, from 8,821 in 1981 to 10,094 in 1990.

## RETIRED MEMBERSHIP BY AGE GROUP



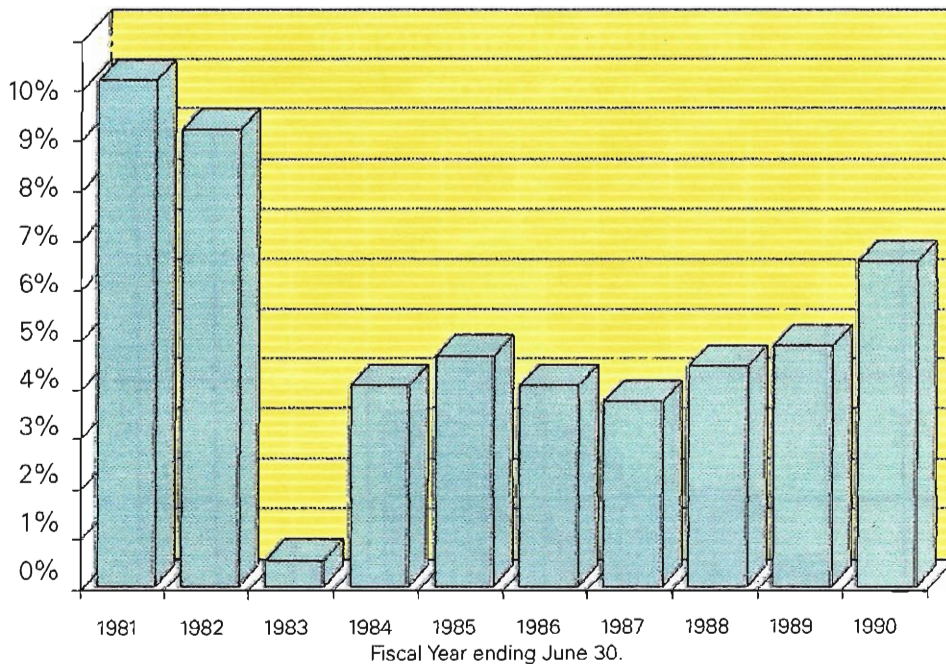
# MEMBERSHIP

## AVERAGE MONTHLY PENSIONS



Average pension amounts have grown from \$1446 in 1981 to \$2178 in 1990, a 51% increase.

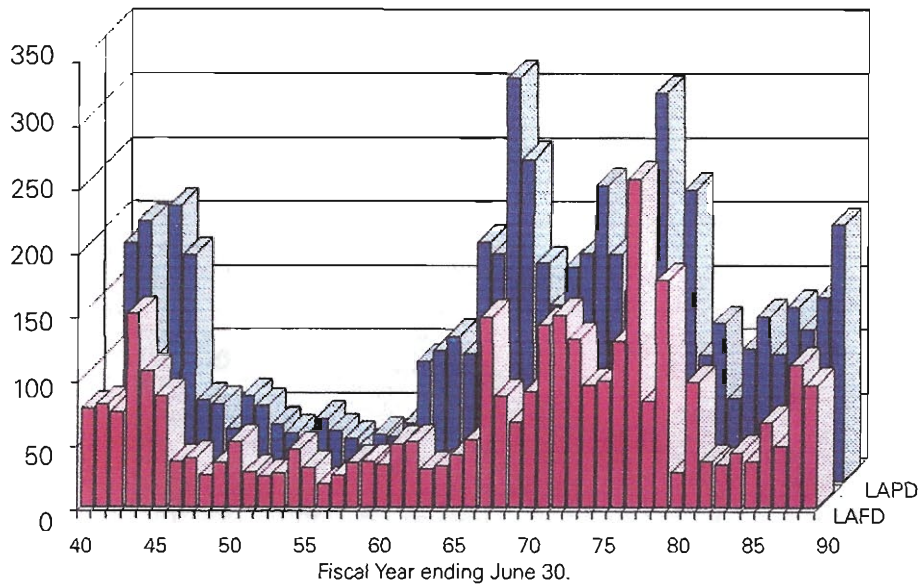
## COST OF LIVING ADJUSTMENTS



Although cost of living adjustments are made to eligible pensions each July 1st, the percentage of increase is based on the consumer price index for the greater Los Angeles area ending in February. Members of the Safety Members' Pension Plan have cost of living increases capped at three percent. Members of the other pension plans have no cap on their cost of living adjustments.

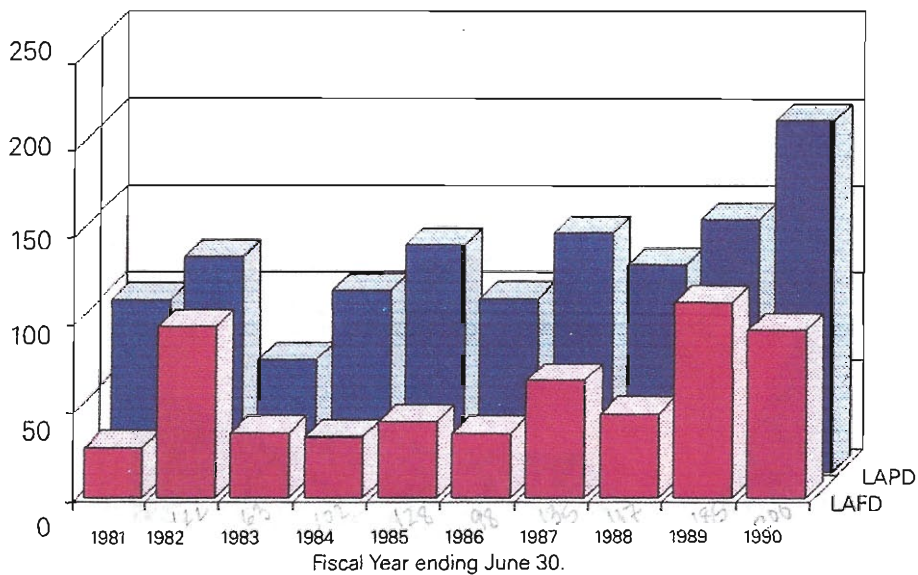
# MEMBERSHIP

## SERVICE PENSIONS GRANTED: 1941-1990 BY DEPARTMENT



A look at service retirements during the last fifty years shows high rates of retirement during the Second World War. The high rates of the late 1960s and early 1970s reflect the effects of a greatly increased rate of hiring immediately following World War II and the implementation of the Article XVIII pension plan in 1967.

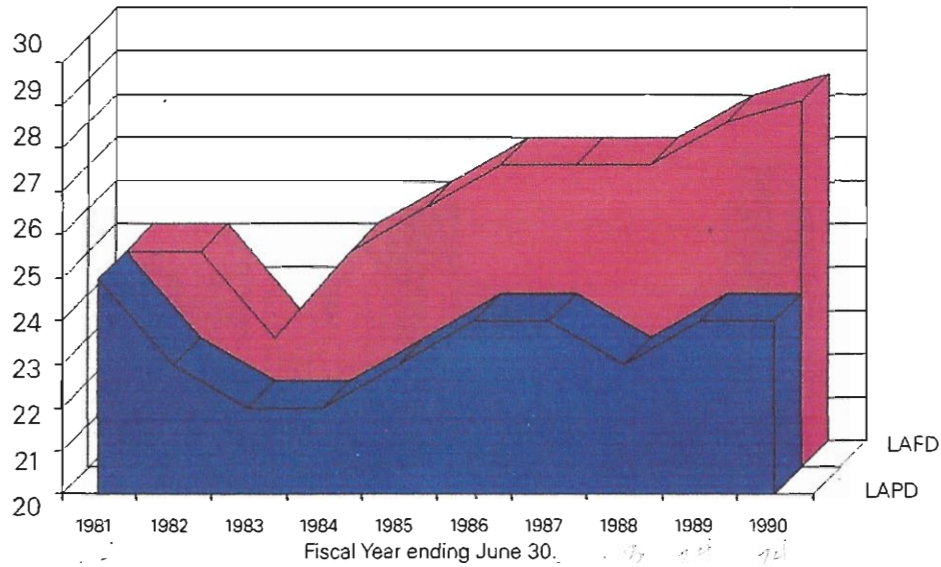
## SERVICE PENSIONS GRANTED DETAIL OF LAST TEN YEARS



The rate of retirement over the last ten years has remained fairly constant, though an increase in Fiscal Year 1990 may be a product of the increased cost of living and the settlement of the Proposition "H" lawsuit which resulted in a removal of the cost of living cap for Article XVII and XVIII pensioners.

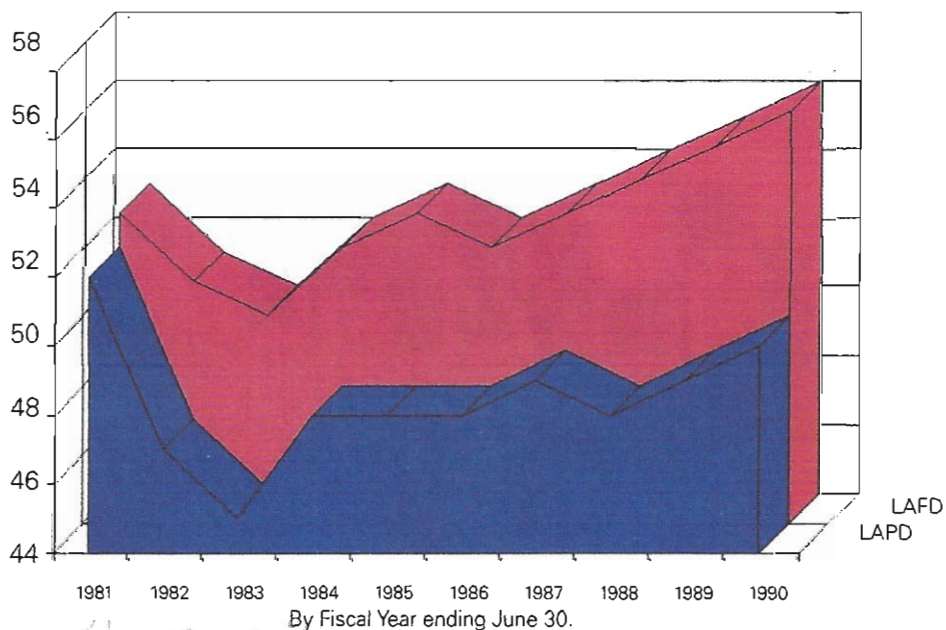
# MEMBERSHIP

## AVERAGE YEARS OF SERVICE AT SERVICE RETIREMENT



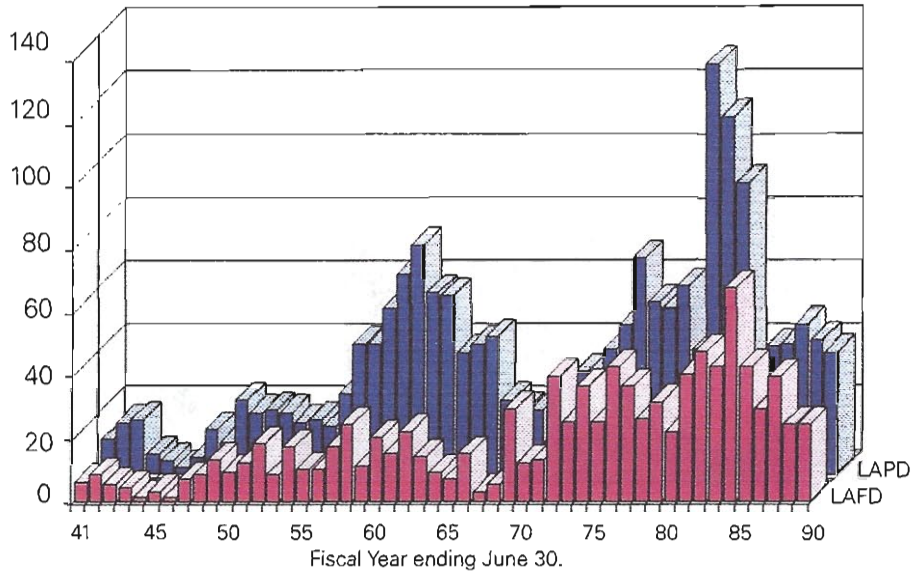
Over the last ten years, there has been a gradual increase in the average years of service (above) and the average age at retirement (below). In 1990, LAFD members averaged 28.5 years of service and retired at an average age of 56. LAPD members averaged 24 years of service and retired at an average age of 50.

## AVERAGE AGE AT SERVICE RETIREMENT



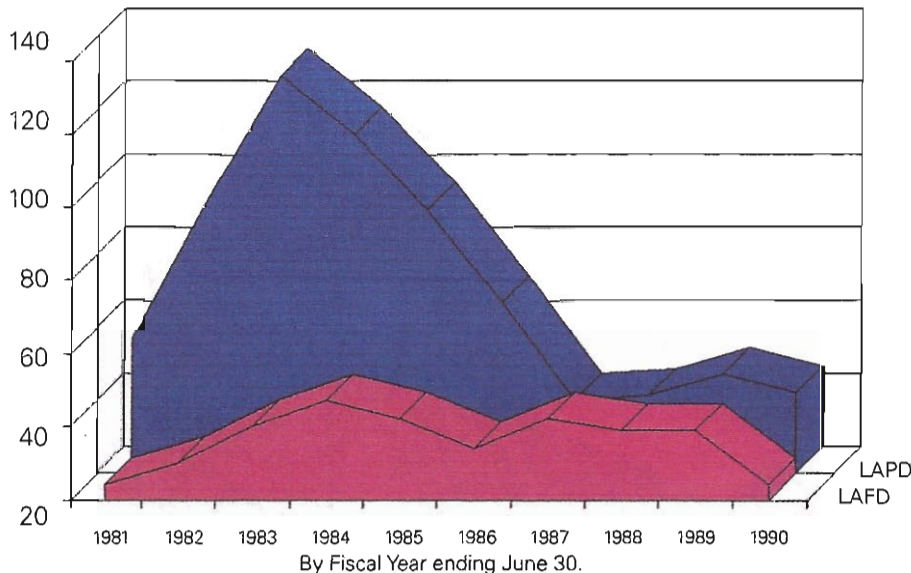
# TYPES OF PENSIONS

## DISABILITY PENSIONS GRANTED: 1941-1990 BY DEPARTMENT



As the membership in Fire and Police departments has increased, so have applications for disability retirement. In the 1960s and again in the 1980s, there were greater than normal increases in disability retirements. In both instances board rules and procedures were changed in an effort to better define the criteria for disability. These changes in both instances resulted in decreases for subsequent years.

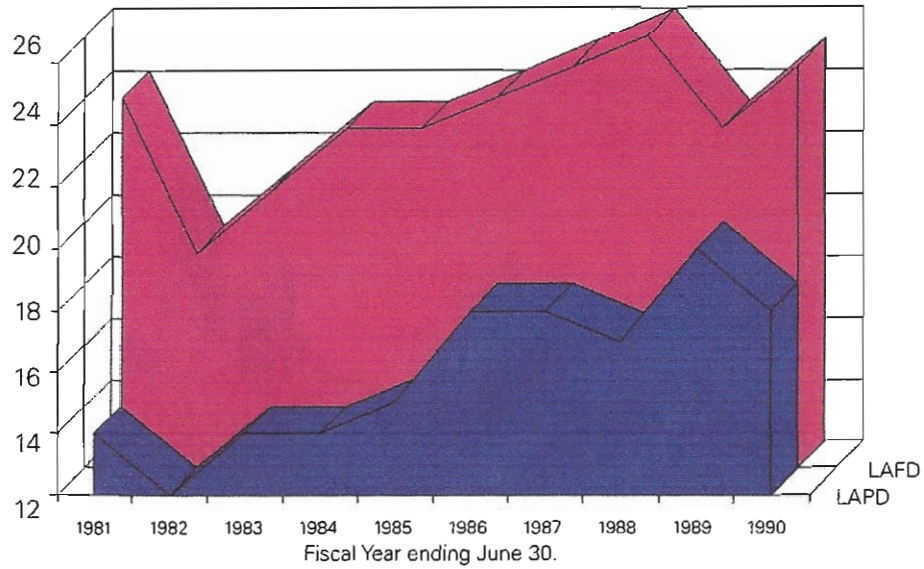
## DISABILITY PENSIONS GRANTED DETAIL OF LAST TEN YEARS



In Fiscal Year 1990, there were 24 disability pensions given to LAFD members. LAPD members received 42 pensions. Both these figures reflect a downward trend in the total number of disability pensions granted over the past ten years. Additionally, twenty-six members, all of them LAPD members have returned to active duty from disability retirement in the last five years.

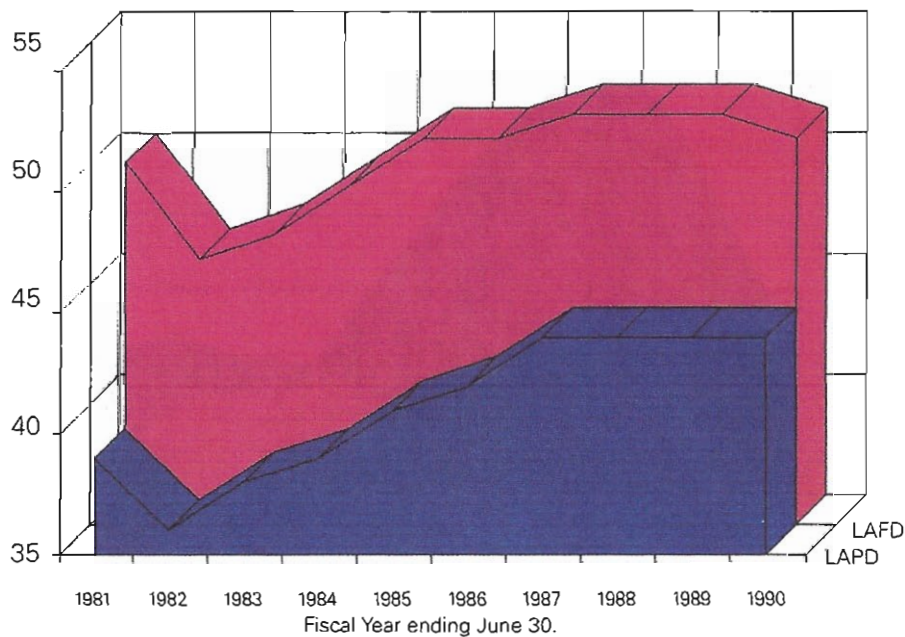
# TYPES OF PENSIONS

## AVERAGE YEARS OF SERVICE AT DISABILITY RETIREMENT



There has been a gradual overall increase in both these areas. LAFD members receiving disability pensions averaged 25 years of service at an average age of 51, while their LAPD counterparts averaged eighteen years of service, retiring at an average age of 44.

## AVERAGE AGE AT DISABILITY RETIREMENT



# TYPES OF PENSIONS

## SERVICE-CONNECTED DISABILITY RETIREMENTS BY TYPE AND DEPARTMENT

	FISCAL YEAR 1985-86				FISCAL YEAR 1986-87				FISCAL YEAR 1987-88				FISCAL YEAR 1988-89				FISCAL YEAR 1989-90			
	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total
GRANTED																				
Physical Only	37	3	25	65	36	3	24	63	36	1	36	73	19	0	31	50	22	1	24	47
Physical/Psychological	0	0	13	13	0	0	13	13	1	0	7	8	0	4	8	12	1	0	13	14
Psychological Only	0	1	2	3	0	0	3	3	0	0	2	2	0	0	2	2	0	0	1	1
<b>TOTALS*</b>	<b>37</b>	<b>4</b>	<b>40</b>	<b>81</b>	<b>36</b>	<b>3</b>	<b>40</b>	<b>79</b>	<b>37</b>	<b>1</b>	<b>45</b>	<b>83</b>	<b>19</b>	<b>4</b>	<b>41</b>	<b>64</b>	<b>23</b>	<b>1</b>	<b>38</b>	<b>62</b>

	FISCAL YEAR 1985-86				FISCAL YEAR 1986-87				FISCAL YEAR 1987-88				FISCAL YEAR 1988-89				FISCAL YEAR 1989-90			
	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total	FD	PM	PD	Total
Back	24	1	17	42	23	1	12	36	22	1	14	37	14	1	15	30	16	0	19	35
Neck	5	0	6	11	5	0	5	10	10	0	7	17	4	1	7	12	9	1	13	23
Knees	7	0	3	10	7	0	3	10	4	0	2	6	3	0	4	7	7	1	4	12
Other Orthopedic	13	3	7	23	13	2	5	20	15	0	12	27	2	2	9	13	9	1	8	18
Heart Attack	1	0	2	3	0	0	2	2	2	0	5	7	1	0	2	3	0	0	2	2
Ulcer	0	0	1	1	0	0	3	3	1	0	3	4	0	1	4	5	1	0	2	3
Hypertension	1	0	4	5	4	0	8	12	2	0	11	13	2	1	6	9	1	0	10	11
Hearing Loss	3	0	3	6	5	1	1	7	6	0	4	10	3	0	4	7	3	0	3	6
Pulmonary	3	0	1	4	6	0	2	8	5	0	2	7	2	1	1	4	0	0	0	0
Cancer	0	0	0	0	0	0	0	0	5	0	2	7	1	0	0	1	0	0	0	0
PCP Exposure	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gun Shot Wound	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0
<b>TOTALS*</b>	<b>57</b>	<b>4</b>	<b>45</b>	<b>106</b>	<b>63</b>	<b>4</b>	<b>41</b>	<b>108</b>	<b>72</b>	<b>1</b>	<b>62</b>	<b>135</b>	<b>32</b>	<b>7</b>	<b>53</b>	<b>92</b>	<b>46</b>	<b>3</b>	<b>61</b>	<b>110</b>

## SERVICE AND NON-SERVICE-CONNECTED DISABILITY RETIREMENTS (BY RANK)

POLICE	85-86	86-87	87-88	88-89	89-90
Police Officer	19	22	21	25	25
Sergeant	0	4	11	6	4
Detective	8	11	11	12	13
Lieutenant	4	2	4	0	0
Captain	0	2	0	0	0
Commander	0	0	0	0	0
Deputy Chief	0	0	0	0	0
Assistant Chief	0	0	0	0	0
<b>TOTALS**</b>	<b>40</b>	<b>41</b>	<b>47</b>	<b>43</b>	<b>42</b>

FIRE	85-86	86-87	87-88	88-89	89-90
Ambulance Driver/Paramedic	4	3	2	4	2
Firefighter	12	15	9	6	10
Apparatus Operator	1	0	0	0	0
Fireboat Mate	0	0	1	0	0
Engineer	8	6	7	7	5
Inspector	2	0	1	2	1
Captain	12	14	16	3	7
Battalion Chief	2	1	2	2	2
Assistant Chief	1	0	1	0	0
Deputy Chief	0	0	0	0	0
<b>TOTALS**</b>	<b>42</b>	<b>39</b>	<b>39</b>	<b>24</b>	<b>27</b>

\*Totals for type are more because of multiple disabilities.

\*\*Totals reflect the number of disability pensions granted during the fiscal year.

# *Actuarial Report*



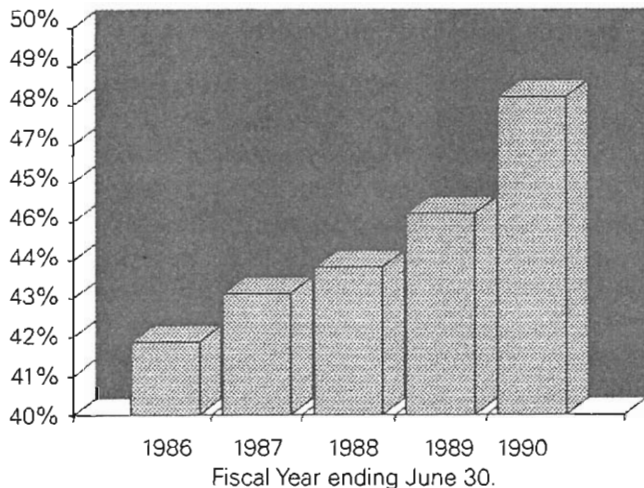
# ACTUARIAL REPORT

## Actuarial Valuations

Two actuarial valuations of the assets and liabilities of the pension benefits are conducted annually. One study examines the pension benefits paid to members and their beneficiaries, the other study examines the health subsidies allocated to qualifying members. These studies evaluate the funding progress of the system and determine the contributions needed to fund the benefits for that year.

The funding status of the pension system is examined over a time span of several years, to determine if funding progress is made. As can be seen by the following graph, satisfactory funding progress has occurred over the past five years.

**FUNDED STATUS**



## How a Valuation is Conducted

The actuarial methodology used, Entry Age Normal Cost, is required by the Charter under sections 186.2, 190.09 and 528 or Articles XVII, XVIII, and XXXV respectively. An actuarial valuation examines the membership of the pension system as currently constituted, then projects future liabilities using various assumptions.

Non-economic actuarial assumptions on mortality of members and spouses, probability of service retirement and disability, probability of termination prior to retirement, and probability of having a surviving beneficiary, are created from studies made of the actual experience of the membership of the system. A new study is conducted not less than once every five years.

These assumptions are recommended by an actuary and adopted by the Board of Pension Com-

missioners. The last study was adopted by the Board on August 25, 1989. An example of projected mortality is as follows:

### Average Expected Years of Life Remaining for Pensioners

Service Pensioner (Average Age = 64) .....	17.4 years
Disabled Pensioner (Average Age = 55) .....	21.2 years
Survivor (Average Age = 72) .....	16.1 years

Economic assumptions are also studied, recommended by the actuary, and adopted by the Board. Economic assumptions used for this valuation period are:

### Economic Assumptions

Cost-of-Living .....	5.5%*
Individual Salary .....	6.5%
Aggregate Salary .....	5.5%
Interest .....	8.5%

\*Art. 35 is capped at 3%

## Pension Benefit Balance Sheet

Cost of living and individual salary assumptions are used to project the dollar amount of benefits to be paid. The total liability is then reduced to today's dollar terms using the interest assumption.

Once the liabilities of the system are computed the valuation study projects the contributions expected to be received, which are reduced to today's dollar terms using the interest assumption. The aggregate salary assumption is used to project the total member contributions. The Entry Age Normal Cost contribution, the amount the city would contribute for a hypothetical new entrant into the system, is calculated. This amount would theoretically be sufficient to fully fund the members retirement on the date of retirement if funding was accurate throughout the members employing period.

These potential future contributions are considered assets of the system, along with assets currently being invested by the Pension Department. The current assets are a blend of the market value and book value of the assets.

As can be seen on the Actuarial Balance Sheets (p. 18), the assets of \$5.185 billion do not cover the liabilities of \$8.669 billion. The balance, \$3.484 billion is considered the unfunded actuarial accrued liability.

# ACTUARIAL REPORT

## Why There Is An Unfunded Liability

An unfunded liability can result from many variables. Often, benefit increases are credited to members while in the middle of their career, or even after they have retired. Since these benefit enhancements did not exist, contributions were not made during all or part of the members working career. An example of a benefit enhancement that occurred was the lifting of a 2% cap on cost of living increases in 1972. This applied to all members, active and retired, and created an immediate unfunded liability. Please consult the History Section of the Annual Report for more examples of benefit changes.

The Entry Age Normal Cost actuarial method normally results in actuarial gains or losses, unless all actuarial assumptions are met each year. These actuarial gains or losses are also included in the unfunded liability.

Occasionally, the actuarial methodology itself is refined according to accepted actuarial practice. For example, salary increases were not utilized in the computations until the late 1970s. When this practice was included, it created an additional unfunded liability.

Finally, during a period in the history of the Pension System, the funding was on a pay as you go basis, instead of an actuarial basis. When the system shifted to an actuarial basis an immediate unfunded liability resulted.

## How The Contribution Requirements Are Calculated

The unfunded liability is amortized over a time period and methodology prescribed in the Charter for each plan. Article XVII and XVIII's amortization period is scheduled to end in the fiscal year 2037. Article XVII is amortized as a level dollar amount Article XVIII is amortized as a level percent of all system members (Article's XVII, XVIII, and XXXV combined) salary.

Article XXXV's amortization time period is a level percentage of plan members salary over a continuous 15-year cycle, each year's actuarial gain or loss is amortized for 15 years. The following year's actuarial gain or loss is amortized for another 15 years. Any

gains or losses resulting from benefit changes are amortized over a 30-year period.

Utilizing all this information, the actuary then computes the contribution requirements for the City.

### Entry Age Normal Cost Contribution Requirements (As a percentage of plan members' salary)

Article XVII .....	21.409%
Article XVIII .....	23.930%
Article XXXV .....	15.335%

### Unfunded Liability Contribution Requirements

Article XVII .....	\$45.7 million
Article XVIII .	20.745% of all system members' salary
Article XXXV .....	1.924% of plan members' salary

## Health Subsidy Valuation

The health valuation study utilizes the same actuarial assumptions as the study on pension benefits, with the addition of a medical inflation assumption. Currently, medical costs are increasing at a faster pace than inflation generally. Therefore the actuary assumed a 14% increase in 1991. However, this rate of inflation is not expected to continue indefinitely, so the assumption decreases slowly until an ultimate rate of 7.5% is reached in the year 2001.

Using the same actuarial methods as for the pension benefits, the Actuarial Balance Sheet is as shown on page 18.

The contributions suggested to fund the health subsidy plan are:

### Entry Age Normal Cost Contribution Requirements (As a percentage of plan members' salary)

Article XVII .....	1.192
Article XVIII .....	2.290%
Article XXXV .....	4.747%

### Unfunded Liability Contribution Requirements

Article XVII .....	\$2.2 million
Article XVIII .	3.439% of all system members' salary
Article XXXV .....	0.984% of plan members' salary

# ACTUARIAL REPORT

## ACTUARIAL BALANCE SHEET AS OF JUNE 30, 1990

ASSETS				
	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets (Market Related Value)	\$ 25,318,244	\$3,254,006,204	\$290,714,556	\$3,570,039,004
2. Present Value of Future Member Contributions	345,114	162,117,557	251,738,716	414,201,387
3. Present Value of Future Contributions by the City for:	0			
a. Entry Age Normal Costs	2,01,563	680,836,384	518,009,826	1,200,847,773
b. Unfunded Actuarial Accrued Liability	515,842,349	3,021,328,125	(62,882,131)	3,484,288,343
<b>4. Total Assets</b>	<b>\$553,507,270</b>	<b>\$7,118,288,270</b>	<b>\$997,580,967</b>	<b>\$8,669,376,507</b>

LIABILITIES				
	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
5. Present Value of Benefits Already Granted				
a. Service Retirements	\$ 162,256,431	\$2,691,377,372	\$ 1,708,187	\$2,855,341,990
b. Disability Retirements	129,361,205	871,995,790	9,535,624	1,010,892,619
c. Survivors and Dependents	245,040,187	289,589,871	3,573,074	538,203,132
d. Total	536,657,823	3,852,963,033	14,816,885	4,404,437,741
6. Present Value of Benefits to be Granted				
a. Service Retirements	14,483,163	2,549,271,542	657,753,709	3,221,508,414
b. Disability Retirements	2,275,800	679,952,484	271,438,921	953,667,205
c. Survivors and Dependents	79,167	23,847,328	24,797,939	48,724,434
d. Total	16,838,130	3,253,071,354	953,990,569	4,223,900,053
7. Refund of Employee Contributions	11,317	12,253,883	28,773,513	41,038,713
<b>8. Total Liabilities</b>	<b>\$ 553,507,270</b>	<b>\$7,118,288,270</b>	<b>\$997,580,967</b>	<b>\$8,669,376,507</b>

## ACTUARIAL BALANCE SHEET FOR HEALTH SUBSIDY BENEFITS AS OF JUNE 30, 1990

ASSETS				
	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
1. Applicable Assets (Market Related Value)	\$ 1,384,227	\$ 3,847,542	\$ 1,183,583	\$ 6,415,352
2. Present Value of Future Contributions by the City for:				
a. Entry Age Normal Costs	66,306	46,818,345	127,674,708	174,559,359
b. Unfunded Actuarial Accrued Liability	25,537,902	500,923,081	42,805,350	569,266,333
<b>3. Total Assets</b>	<b>\$ 26,988,435</b>	<b>\$ 551,588,968</b>	<b>\$171,663,641</b>	<b>\$ 750,241,044</b>

LIABILITIES				
	Fire & Police Pension System	New Pension System	Safety Members Pension Plan	All Plans Combined
4. Present Value of Benefits Already Granted	\$ 25,284,979	\$ 266,187,744	\$ 820,782	\$ 292,293,505
5. Present Value of Benefits to be Granted				
a. Actives Eligible to Retire	1,660,186	127,455,802	319,756	129,435,744
b. Other Actives	43,270	157,945,422	170,523,103	328,511,795
c. Total	1,703,456	285,401,224	170,842,859	457,947,539
<b>6. Total Liabilities</b>	<b>\$ 26,988,435</b>	<b>\$ 551,588,968</b>	<b>\$171,663,641</b>	<b>\$ 750,241,044</b>

# *Investment Report*

# INVESTMENTS

## Introduction

Investment performance added \$376 million to the Fire and Police Pension System over the past year. Over the past five years, the Systems' assets have more than doubled in size from \$1.8 billion to \$3.8 billion. Investment performance contributed \$1.5 billion of this growth.

## Investment Performance

The total investment return was 10.5 percent for the past year. Investment performance outpaced the Consumer Price Index increase of 3.8 percent by a considerable margin. For the past five years, the Systems' annualized return of 12.8 percent compares favorably to its long-term investment performance objective of 11.4 percent. The five-year performance of the System ranked in the top one-third of the SEI Funds Evaluation Services — Local Government Universe.

## Asset Allocation

The asset allocation decision generally drives 80 percent or more of the investment performance of an investment fund. Asset allocation is the determination of how much of the fund will be invested in asset classes such as stocks, bonds, real estate, and cash equivalents.

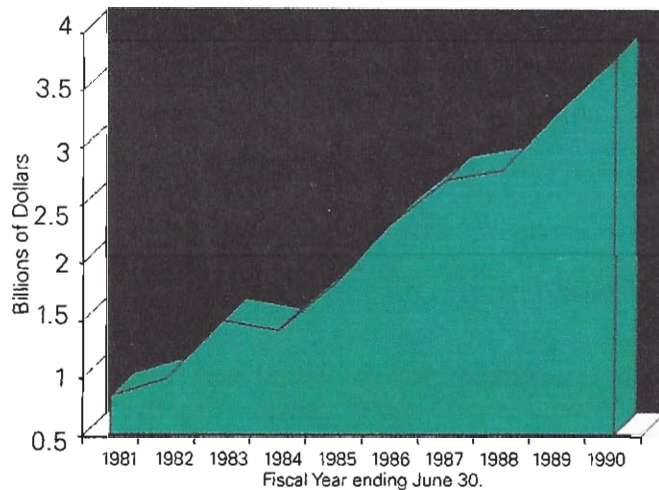
During this past year, the System fine-tuned its asset allocation with the objective of increasing investment performance and further reducing the overall riskiness of the portfolio. The asset allocation was adjusted as follows: U.S. large capitalization stocks (47%), U.S. small capitalization stocks (5%), Non-U.S. Stocks (6%). U.S. investment grade bonds (27%), high yield bonds (5%), and real estate (10%).

The actual asset allocation of a fund will vary from target allocations due to the implementation phase of the asset allocation plan, inflows (such as City and member contributions) and outflows (such as pension payments), and the movement of securities markets. The System's assets are periodically rebalanced in order to adjust for these changes. The market values of the System assets on June 30, 1990, were as follows:

ASSET CLASS	MARKET VALUE (In millions) As of 6/30/90
U.S. large capitalization stocks	\$1,852
U.S. small capitalization stocks	275
Non-U.S. stocks	169
U.S. investment grade bonds	986
High yield bonds	137
Real Estate	203
Cash Equivalents	161
Total	\$3,783

The System participates in other investment vehicles to enhance investment returns. The securities lending program contributed \$480,000 and the dividend plus program an additional \$26,000 towards investment income for the past year.

## MARKET VALUE GROWTH OF SYSTEM ASSETS



## Investment Activity

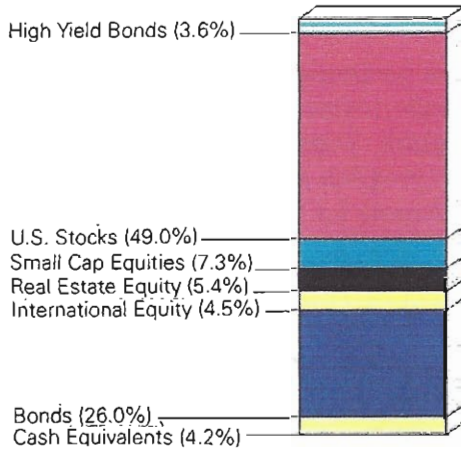
Fiscal Year 1989-90 was another active year for the investment portfolio. The System hired and funded four international stock advisors. Wright Investors was terminated as a U.S. large capitalization stock advisor due to poor performance. Security Pacific Investment Managers (a subsidiary of Security Pacific Corporation) and Alliance Capital Management Corporation had contracts renewed as U.S. large capitalization stock advisors.

The System committed or invested \$162 million in real estate during Fiscal Year 1989-90. The System purchased a one-half interest in a 270,000 square foot office building in Washington, D. C. The System also purchased a 40 percent participating mortgage interest in a 380,000 square foot office building in

# INVESTMENTS

mid-town Manhattan, New York City. There were also investments in three comingled real estate funds: The investments were in a developmental office and industrial real estate fund, a midwest community shopping center fund, and a public storage facilities fund.

## ASSET REALLOCATION PLAN Current Status



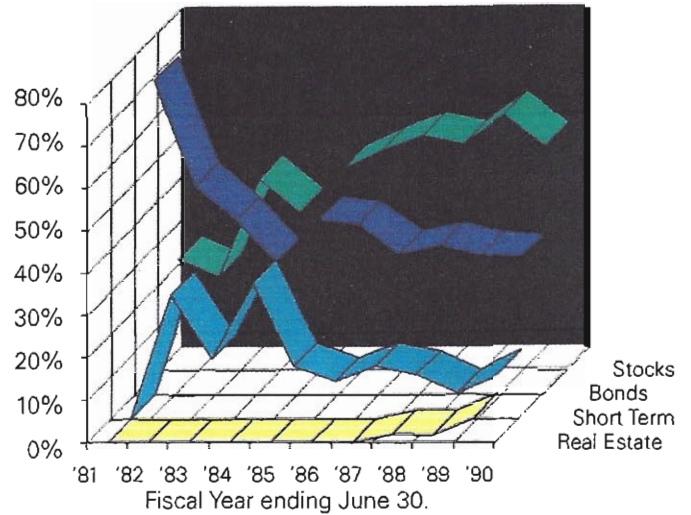
In 1989, the Board amended its strategic asset allocation plan to further reduce volatility or risk of the Plan through diversification and to enhance the potential for increased investment return. Shown above is the current total asset mix.

## Other Program

The System has a fiduciary responsibility to vote all of its proxy solicitations. In Fiscal Year 1989-90, the System voted a total of 649 proxies. The System votes affirmatively on preemptive rights, cumulative voting, adoption of the Sullivan Principles, and confidential voting. The System opposes anti-takeover measures and generally abstains on proxy issues of a purely social, political, or environmental nature having no anticipated economic impact on the System.

The System's Six-Phase South Africa Divestiture Program was adopted in 1985 after a thorough study concluded that the Program was consistent with the fiduciary responsibilities owed to the beneficiaries of the System. Five phases of the program have been implemented as of year end. The final phase six will require the divestiture from all companies doing business in South Africa, unless the System determines that a company is engaging in political, social, and economic activities that substantially assist efforts to end apartheid. A company may also be exempted if the investment style of one of the systems' advisors would otherwise be economically harmed.

## CHANGE IN ASSET MIX: 1981-1990



This graph shows the ten-year overall change in how the system's funds are invested. Note the recent addition of Real Estate to the system's portfolio.

## INVESTMENT ADVISORS

### U. S. Stock Managers

Alliance Capital Management  
Amerindo Investment Advisors  
BMI Capital Management  
Frontier Capital Management  
Loomis Sayles and Company  
Security Pacific Investment Managers  
Target Investors, Inc.

### International Stock Managers

Globe Finlay, Inc.  
Hill Samuel Investment Advisors Limited  
Nomura Capital Management, Inc.  
Oechsle International Advisors, Ltd.

### U. S. Bond Managers

The Boston Company Institutional Investors, Inc.  
Cypress Capital Management  
Magten Asset Management Corporation  
Security Pacific Investment Managers, Inc.

### Option Managers

Balch, Hardy, Scheinman & Winston, Inc.  
MCQ, Inc.  
Oppenheimer Capital Corporation

### Real Estate Managers

The Boston Company Real Estate Counsel, Inc.  
Copley Real Estate Advisors  
Equitable Real Estate  
FS/Weingarten Realty Partners  
JMB Institutional Realty Corporation  
Prudential Asset Management Company  
Public Storage International  
Sentinel Real Estate Corporation

# INVESTMENTS

Fiscal Year Ending June 30	ANNUAL RATES OF RETURN* Based on Market Value				
	Equities	Bonds	Real Estate	Fund**	CPI***
1980-81	20.50%	-8.90%		-1.30%	9.60%
1981-82	-13.90%	12.70%		6.20%	7.10%
1982-83	68.80%	35.40%		46.90%	2.60%
1983-84	-16.40%	2.10%		-5.90%	4.20%
1984-85	29.60%	28.90%		25.30%	3.70%
1985-86	35.30%	19.10%		26.60%	1.70%
1986-87	23.70%	5.70%		14.20%	3.72%
1987-88	-5.30%	6.90%		0.30%	3.94%
1988-89	20.50%	12.50%	8.70%	16.00%	3.70%
1989-90	14.90%	5.50%	7.40%	10.50%	4.70%

\* All rates of return before fees.

\*\* Total fund includes short-term investments and real estate for 1988-90.

\*\*\* C.P.I. is for the U.S. ending June 30th 1990.

# *Accounting Information*



# AUDITOR'S REPORT

## City of Los Angeles Fire and Police Pension System BALANCE SHEETS Years ended June 30, 1990 and 1989

	1990	1989
<b>ASSETS</b>		
Cash	\$ 1,538,682	\$ 617,063
<b>Receivables:</b>		
Accrued interest and dividend income	\$ 26,670,009	\$ 26,757,765
Contributions	1,979,538	2,264,967
Due from brokers and others	19,796,779	30,879,365
Accrued real estate income	1,370,598	598,902,097
	49,816,924	
<b>Investments</b>		
Temporary, at cost, which approximates market	333,294,697	441,776,473
Bonds, at amortized cost, (market value of		
\$1,067,595,144 in 1990 and \$996,270,233		
in 1989	1,070,000,448	989,362,719
Common stock, at cost (market value of		
\$2,189,084,369 in 1990 and \$1,796,268,631		
in 1989)	1,754,878,064	1,433,036,244
Preferred stock, at cost (market value of		
\$10,547,867 in 1990 and \$24,025,583		
in 1989)	10,228,518	22,053,550
Real estate pools, at cost (market value of		
\$203,412,122 in 1990 and \$61,023,939)	199,155,185	58,373,740
	3,367,556,912	2,944,602,726
<b>TOTAL ASSETS</b>	<b>3,418,912,518</b>	<b>3,005,121,886</b>
<b>LIABILITIES</b>		
Benefits in process of payment	1,688,190	1,348,301
Accounts payable	2,167,173	2,455,847
Deferred option premiums (market value of		
\$47,674,270 in 1990 and \$25,616,521 in 1989)	44,424,001	27,920,977
Due to brokers	18,511,726	42,211,440
	66,791,090	73,936,565
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$3,352,121,428</b>	<b>\$2,931,185,321</b>
<b>FUND BALANCE:</b>		
Actuarial present value of projected benefits		
payable to current retirants and beneficiaries	\$4,696,731,246	\$4,011,107,369
Actuarial present value of credited projected		
benefits for active employees:		
Member contributions	850,461,101	764,503,327
Employer financed portion	\$2,065,107,605	\$1,770,102,241
	\$7,612,299,952	\$6,545,712,937
Unfunded actuarial present value of		
credited projected benefits	(4,260,178,524)	(3,614,527,616)
<b>TOTAL FUND BALANCE</b>	<b>\$3,352,121,428</b>	<b>\$2,931,185,321</b>

See notes to financial statements.

# AUDITOR'S REPORT

## City of Los Angeles Fire and Police Pension System STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE Years ended June 30, 1990 and 1989

	1990		1989	
<b>REVENUES:</b>				
City contributions	\$ 316,429,364		\$ 288,289,760	
Member contributions	34,883,307		31,815,226	
Miscellaneous	325,103	\$ 351,637,774	415,304	\$ 320,520,290
Investment income:				
Interest	125,295,117		125,393,849	
Dividends	63,058,300		52,973,593	
Provisions for permanent impairment of bonds	(16,861,987)			
Gains on sale of investments	179,262,661		66,798,337	
Losses on option premiums	(6,115,364)		(17,777,285)	
Real estate income	7,776,641		2,494,748	
Securities lending income (Note 5)	464,414		832,954	
Other		352,879,791	36,330	230,752,526
		704,517,565	36,330	551,272,816
<b>EXPENDITURES:</b>				
Benefits paid to participants:				
Service	160,594,308		149,546,444	
Disability	52,983,458		47,432,891	
Surviving spouses	45,331,389		42,732,876	
Minors and dependents	853,036		738,285	
Health plan subsidy (Note 4)	10,271,812		8,904,250	
	270,034,003		249,354,746	
Administrative expense	13,547,455	283,581,458	11,001,034	260,355,780
<b>NET OPERATING INCOME</b>		420,936,107		290,917,036
<b>FUND BALANCE, BEGINNING</b>		2,931,185,321		2,640,268,285
<b>FUND BALANCE, ENDING</b>		\$3,352,121,428		\$2,931,185,321

See notes to financial statements.

# AUDITOR'S REPORT

## City of Los Angeles Fire and Police Pension System STATEMENTS OF CHANGES IN FINANCIAL POSITION Years ended June 30, 1990 and 1989

	1990	1989
<b>SOURCE OF FUNDS</b>		
Net operating income .....	\$ 420,936,107	\$ 290,917,036
<b>USE OF FUNDS: Increase (Decrease) in</b>		
<b>ASSETS: CASH AND RECEIVABLES</b>		
Cash .....	1,538,682	617,063
Accrued interest/dividend income .....	26,670,009	26,757,765
Contributions .....	1,979,538	2,264,967
Due from brokers and others .....	19,796,779	30,879,365
Accrued real estate income .....	1,370,598	
<b>TOTAL</b> .....	<b>51,355,606</b>	<b>60,519,160</b>
<b>ASSETS: INVESTMENTS</b>		
Temporary investments .....	333,294,697	
Bond investments .....	1,070,000,448	989,362,719
Common Stock investments .....	1,754,878,064	1,433,036,244
Preferred Stock investments .....	10,228,518	22,053,550
Real estate pools .....	199,155,185	58,373,740
<b>TOTAL</b> .....	<b>3,367,556,912</b>	<b>2,944,602,726</b>
<b>LIABILITIES:</b>		
Benefits in process of payment .....	1,688,190	1,348,301
Accounts payable .....	2,167,173	2,455,847
Deferred option premiums .....	44,424,001	27,920,977
Due to brokers .....	18,511,726	42,211,440
<b>TOTAL</b> .....	<b>66,791,090</b>	<b>73,936,565</b>
<b>BALANCE</b> .....	<b>\$3,352,121,428</b>	<b>\$2,931,185,321</b>
<b>USE OF FUNDS: Increase/Decrease in</b>		
<b>ASSETS: CASH AND RECEIVABLES</b>		
Cash .....	921,619	16,647
Accrued interest/dividend income .....	(87,756)	421,026
Contributions .....	(285,429)	963,116
Due from brokers and others .....	(11,082,586)	4,966,032
Accrued real estate income .....	1,370,598	
<b>TOTAL</b> .....	<b>(9,163,554)</b>	<b>6,366,821</b>
<b>ASSETS: INVESTMENTS</b>		
Temporary investments .....	(108,481,776)	(26,103,424)
Bond investments .....	80,637,729	110,333,403
Common Stock investments .....	321,841,820	225,655,705
Preferred Stock investments .....	(11,825,032)	10,013,491
Real estate pools .....	140,781,445	11,827,931
<b>TOTAL</b> .....	<b>422,954,186</b>	<b>331,717,106</b>
<b>LIABILITIES:</b>		
Benefits in process of payments .....	339,889	1,010,142
Accounts payable .....	(288,674)	558,859
Deferred option premiums .....	16,503,024	23,316,263
Due to brokers .....	(23,699,714)	22,291,627
<b>TOTAL</b> .....	<b>(7,145,475)</b>	<b>47,176,891</b>
	<b>\$ 130,019,071</b>	<b>\$ 290,917,036</b>

# AUDITOR'S REPORT

## SUMMARY OF AUDITOR'S NOTES

### Summary of Significant Accounting Policies

**Basis of Presentation** — The System's financial statements are prepared on the accrual basis of accounting and presented in accordance with Statement No. 6, "Pension Accounting and financial Reporting: Public Employee Retirement systems and state and Local Government Employers," of The National Council on Governmental Accounting. Contributions and other income are recorded when earned, expenses when incurred, and gains or losses on investments in the year of disposition.

**Cash** — Cash consists primarily of an undivided interest in the cash held by the Treasurer of the City of Los Angeles and cash held by brokers in temporary bank accounts pending funding related to real estate investments.

**Investments** — Temporary investments, consisting primarily of bankers acceptances, commercial paper certificates of deposit and Treasury bills, are carried at cost, which approximates market at June 30, 1990 and 1989.

Bonds are recorded at face value less unaccredited discount or plus unamortized premium. Bond premium and discount are amortized or accreted to the maturity date by adjusting the nominal interest rate to the yield basis upon which they were acquired. Bonds are written off when management deems there is a permanent impairment of value.

Common and preferred stocks are carried at their cost basis.

Real estate investments are accounted for on the equity method of accounting when there is an interest of 20% or greater. The cost method has been used for investments of less than 20%. Direct real estate investments are depreciated on a straight-line basis over the estimated useful lives of the properties.

Investments denominated in foreign currencies are translated to the U.S. dollar at the rate of exchange at the balance sheet date. Resulting gains or losses are included in the statement of revenues, expenditures and changes in fund balance, if material.

The stated market value of investments is generally based on published market prices or quotations from major investment dealers. Real estate market values are taken from the reports of the investment advisors.

**Income from Investments** — The Charter of the City of Los Angeles provides that the rate of return from investments, exclusive of capital gains and losses, shall be credited to member contribution accounts. Realized capital gains and losses on investments are recognized in the City's actuarial funding calculation.

**Deferred Option Premiums** — As allowed by the Charter of the City of Los Angeles, the System writes covered call options through securities. The deferred revenue is stated at the current market value, with the resulting charge or credit reflected in current-year operations.

### Securities Lending

The System has entered into various short-term arrangements whereby investments are loaned to various brokers. The lending arrangements are collateralized by cash, letters of credit and marketable securities. These agreements provide for the return of the investments and for a payment of: a) a fee when the collateral is marketable securities or letters of credit, or b) interest earned when the collateral is cash on deposit. Securities on loan to brokers continue to be shown at their cost basis in the balance sheet. Amounts outstanding at June 30, 1990 and 1989 are as follows:

	<u>1990</u>	<u>1989</u>
Securities on loan:		
Cost .....	\$274,291,800	\$274,731,377
Market .....	\$272,765,262	\$290,554,445
Collateral .....	\$279,756,756	\$300,449,408

### Contingencies

**Termination Rights** — All members who were active on or after July 1, 1982 have a vested right to their past contributions and accrued interest in the event of their termination prior to retirement. The dollar amounts of the contributions and interest subject to this right at June 30, 1990 and 1989 are \$850,461,101 and \$764,503,327, respectively.

**Legal Action** — Several legal actions against the Board of Pension Commissioners were pending at June 30, 1990. Except for the following matters, the combined potential liability is not deemed to be material to the net assets of the System.

# AUDITOR'S REPORT

## SUMMARY OF AUDITOR'S NOTES

### Contingencies (Cont'd)

During the current year, the System has been named in a class action lawsuit that seeks to refund all disability pensioners' contributions on the basis that the disability pensions are not a pension award; thus, the City should not be allowed to keep the pension contributions. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been made in the financial statements.

There are currently pending several domestic relations matters wherein the System has been or will be ordered to (1) make survivorship payments to ineligible former spouses; (2) make payments of community interest while the member is still working but eligible to retire; and (3) make payments to the estates of deceased former spouses. The System is contesting these orders. If unsuccessful, the ultimate liability could be substantial. No opinion can be given by management as to the ultimate outcome, nor can an estimate of the potential liability be made at this time. Accordingly, no liability has been recorded in the financial statements.

### 3% Cap on Cost-of-Living Adjustments

The case filed by the Los Angeles Police Protective League challenged the legality of a proposition that was approved by the electorate of the City of Los Angeles in regard to a 3% cap on cost-of-living adjustments for years of service subsequent to July 1, 1982. At the trial of this action, the lower court ruled on April 2, 1987 that the 3% cap is invalid and unenforceable. In addition, provisions in the Charter providing for a proration method of calculating the cost-

of-living adjustment for the first year of retirement were ruled invalid and unenforceable. On April 26, 1989, the Court of Appeals affirmed the trial court's judgment, and the Supreme Court of California denied the City's petition for review of the decision. The resulting unfunded liability was recorded in the financial statements for the year ended June 30, 1989.

### Commitments

At June 30, 1990, the System had commitments to fund \$25,000,000 relating to real estate pools and direct investment in real estate ventures.

### Sub-Investment Grade Bonds

At June 30, 1990 and 1989. The System had investments in bonds rated below investment grade of approximately \$161,291,637 and \$129,885,334, respectively.

### Subsequent Event (Unaudited):

Subsequent to year-end, the stock and high yield bond markets suffered severe declines. As of October 31, 1990, the net unrealized loss on the cost basis of System investments is approximately \$50,175,897 for high yield bonds. The unrealized gain on equity securities has declined to \$37,351,447 at October 31, 1990 from \$434,206,305 at June 30, 1990. These amounts are calculated as follows:

	High Yield Bonds	Equity Securities
Cost .....	\$152,471,233	\$1,714,868,272
Market .....	\$102,295,336	\$1,752,2129,719

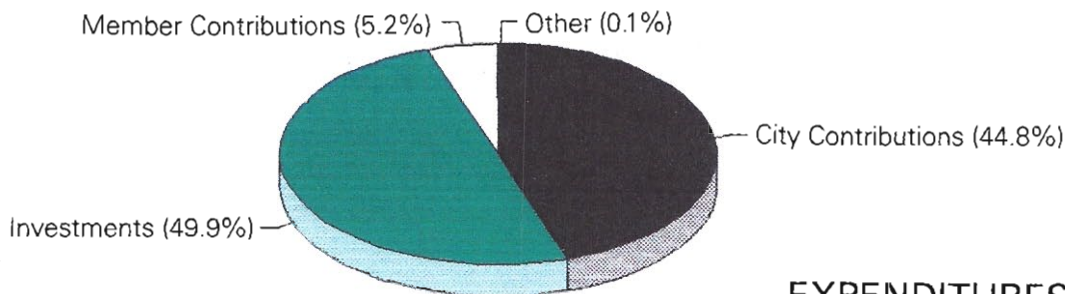
# AUDITOR'S REPORT

## BUDGET

RECEIPTS	Estimated 1989-90	Actual 1989-90
Balance Available .....	\$ 300,000	\$ 300,000
Taxes and General Fund .....	314,691,299	316,429,364
Member Contributions .....	\$39,142,465	\$36,819,972
Earnings on Investments .....	186,000,000	179,732,494
Gain on Sale of Investments .....	—	173,147,297
Miscellaneous .....	400,000	325,103
<b>TOTAL RECEIPTS</b>	<b>\$540,533,764</b>	<b>\$706,754,230</b>
<b>EXPENDITURES</b>		
Service Pensions .....	\$159,800,000	\$160,594,308
Disability Pensions .....	52,500,000	52,983,458
Surviving Spouse Pensions .....	45,725,000	45,331,389
Minors'/Dependents' Pensions .....	900,000	853,036
Refund of Member Contributions .....	1,750,000	1,936,665
Health Insurance Subsidy .....	8,550,000	9,322,001
Medicare .....	915,000	949,811
Administrative Expense .....	15,135,581	13,547,455
<b>TOTAL EXPENDITURES</b>	<b>\$285,275,581</b>	<b>\$285,518,123</b>
<b>INCOME vs. EXPENDITURES</b>	<b>\$255,258,183</b>	<b>\$421,236,107</b>

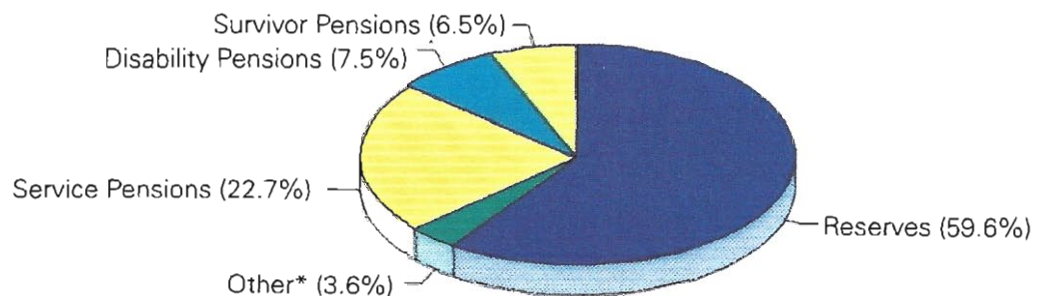
### RECEIPTS

Fiscal year ending June 30.



### EXPENDITURES

Fiscal year ending June 30.



Fiscal year ending June 30.

\*Administrative — 1.92%, Health Subsidy — 1.32%, Refunds of Contributions — 0.27%, Medicare — 0.13%.

# *Legal Summary*

# LEGAL SUMMARY

## Department of Pensions SUMMARIZATIONS OF ACTIVITIES OF THE LEGAL SECTION

### General Pension Litigation in Fiscal Year 1989 and 1990

There were several court decisions rendered in the pension field which are of importance to the City and the Board. Some of these are now final and conclusive and appeals are pending in others. Some important cases have not yet reached the trial stage.

A brief summary of some of the cases handled by the City Attorney for the Board of Pension Commissioners presents the following:

#### *Holmes v. Holmes*

Catherine B. Holmes, former spouse of active police Detective Don Felece Holmes, sought by an Order to Show Cause a Superior Court Family law order which would award her a survivor interest in Mr. Holmes' fire and police pension benefit along with a right to present payment of her community share of said pension by the Department of Pensions prior to Mr. Holmes' actions retirement.

The City attorney, on behalf of the Board of Pension Commissioners, filed a trial brief in opposition to Mrs. Holmes' demand.

At the August 23, 1989, Superior Court hearing on Mrs. Holmes' Order to Show Cause the trial judge, based upon the points and authorities raised in the Claimant's [Board's] brief, convinced the parties to take the matter off calendar until the issues surrounding Mrs. Holmes' request have been resolved at the Appellate Court level.

The court was apprised of at least two other matters currently on appeal which address the issues in the Holmes matter: *Longan v. Longan* and *Wilmington v. Wilmington*. A third such case also on appeal is *Nice v. Nice*.

The Holmes matter will be resurrected at some time after a controlling Court of Appeal or, perhaps, California Supreme Court opinion on these issues is rendered.

#### *Longan v. Longan*

Suzanne Longan-Glanz, the former spouse of active firefighter Joseph C. Longan, obtained a family law judgment, on February 8, 1989, which provided, among other things, that the Board of Pension Commissioners do the following:

1. Set up separate accounts for the community property interests of Mr. and Mrs. Longan with the New Pension System.
2. Cause immediate payment of benefits to Mrs. Longan although Mr. Longan, who presently is able to retire, remains an active employee.
3. Provide a survivor benefit to Mrs. Longan for her lifetime in the event of Mr. Longan's prior death notwithstanding that the New Pension System does pay a survivor benefit to a divorced former spouse.

Following notice of the aforesaid judgment the City Attorney, on behalf of the Board, filed a motion for new trial and request to reconsider or modify decision. The trial court denied this motion after hearing on May 19, 1989. An appeal of the February 1989 judgment followed on June 13, 1989.

The issues involved in this case will have substantial impact upon all Los Angeles city pension systems as they are affected by marital dissolution orders. None of the City's pension systems provide for the payment of benefits prior to a member's actual retirement. Such a requirement, without corresponding adjustment to the statutory entitlement of members and other beneficiaries, might obligate a particular system to pay benefits above and beyond what was intended in the respective plan provisions.

The requirement to pay to a former spouse a "survivor" benefit based upon his or her community interest clearly calls for a payment in excess of plan expectations. In Mr. Longan's case, he can remarry while an active employee and foreseeably, upon his death, leave a qualified surviving spouse who would be entitled to a full pension.

#### *McCormick v. Board of Pension Commissioners*

Michael C. McCormick was granted a service-connected disability pension by the Board on November 3, 1983, with a review to be scheduled two years thereafter.



## LEGAL SUMMARY

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When Department of Pensions staff began taking steps to cause a review of McCormick's case (June 1985), it was first learned that McCormick was in opposition to any further review of his case.

The issue of the Board's legal right to review McCormick's case was detailed fully in this section's 1989-90 year end summary of litigated cases and will not be here repeated. The previous summary concluded with a report that McCormick had appealed a February 1988, Superior Court decision upholding the Board's right to review his disability status.

On February 2, 1989 the Board determined, after full and open hearing, that McCormick was no longer disabled and that he could be returned to LAPD duty. During approximately nineteen (19) months thereafter, the Department of Pensions and the Medical Liaison Section of the LAPD, were involved in the difficult task of processing Mr. McCormick through the work fitness examination required by the LAPD prior to returning McCormick to duty.

### ***Robert M. Michael v. City of Los Angeles, et al***

Robert M. Michael was first denied a disability pension by the Board of Pension Commissioners on October 28, 1982. He was denied reconsideration on June 9, 1983.

In the ensuing years Mr. Michael's case was the subject of two petitions for Peremptory writs of Mandate, numerous Superior Court appearances and two proceedings before the Second Appellate District Court of Appeal.

On May 3, 1989, a Superior Court judge ordered the Board to vacate its prior denial of disability pension benefits to Mr. Michael and to award him a service-connected disability pension. The City Attorney, on behalf of the Board, appealed that decision on July 28, 1989. Oral argument in the Court of Appeal was had on May 23, 1990.

In a non-published opinion filed May 25, 1990 the Court of Appeal upheld the trial Court decision finding that said decision was supported by substantial evidence before the trial judge.

The City Attorney recommended against seeking further review on the basis that there were no remaining appealable issues in the case. The Court of

Appeal determined that the trial court decision was nothing more than a factual finding by the trial judge who, in exercising his independent judgment, viewed the evidence differently than did the Board.

Michael subsequently was awarded a service-connected disability pension pursuant to the Superior Court order of May 3, 1989.

### ***Lawrence Molinar v. City of Los Angeles, et al***

Lawrence Molinar was terminated from employment as a police officer following a disciplinary Board of Rights hearing, effective July 7, 1983. A subsequent application for a disability pension was denied by the Board of Pension Commissioners on May 30, 1985.

Molinar thereafter filed a Petition for peremptory Writ of Mandate in Superior Court challenging the actions of both the LAPD Board of Rights and the Board of Pension Commissioners. The trial Court upheld the Board's denial of a disability pension but remanded the matter to the LAPD Board of Rights to reconsider the penalty phase of its disciplinary proceedings.

On April 1, 1987 the LAPD Board reconvened, unfortunately without notice to Molinar, and again voted to terminate. Following appropriate notice to Molinar, a second rehearing was convened on April 20, 1987. After its conclusion, termination again was imposed.

A second petition for Peremptory Writ of Mandate was filed by Molinar and a hearing thereon was held in Superior Court on February 2, 1989. The trial judge was of the opinion that the earlier Superior Court decision in effect mandated that Molinar be given a penalty other than termination. Molinar again was ordered reinstated with all attendant compensation. The LAPD Board, because of its actions, was required to pay \$1,500.00 in attorney's fees.

### ***Nice v. Nice***

On March 26, 1990 a judge of the Los Angeles County Superior Court in a marriage dissolution proceeding awarded Geraldine A. Nice one-half (½) of the community interest in the pension benefit of Perry A. Nice, an active firefighter. Mr. Nice currently is eligible to retire having served in excess of 25 years.

The trial judge also ordered the Board to begin immediate payment of benefits to Mrs. Nice and, should

## LEGAL SUMMARY

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she survive Mr. Nice's prior death, to pay her a survivor benefit based upon her community property share. Neither of these benefits is a feature of the New Pension System, the pension system of which Mr. Nice is member.

The City Attorney, on April 26, 1990, filed a motion to set aside and/or modify the judgment of March 26, 1990. At hearing on May 22, 1990, said motion was denied. A notice of Appeal was filed on June 8, 1990.

Briefs have not been requested in this case as of this writing. The issues involved herein are identical to those in the Longan matter. Unquestionably, the Longan decision, once issued, will have a tremendous influence on the outcome of the Nice case and other similar matters.

### ***Gary Petrilla v. Board of Pension Commissioners***

Gary Petrilla was denied a disability pension after Board hearing on November 10, 1988. subsequent thereto, Petrilla filed a Petition or Peremptory Writ of Mandate contending that the Board's decision was not supported by evidence and that this denial of a disability pension was an abuse of discretion.

The writ was heard in Superior Court on July 26, 1989. By minute order of October 13, 1989, the Superior Court denied Petrilla's petition upon a finding that he was not disabled from the LAPD duties to which he could be assigned.

Petrilla did not file an appeal to the Superior Court decision. He is now retired receiving service pension benefits.

### ***Reiner v. City of Los Angeles, et al***

This is a class action brought by a former police officer now retired on disability pension, for himself and as a class representative for all former firefighters and police officers similarly situated.

Reiner contends that his is entitled to a refund of amounts of worker's compensation received by him and then offset against his disability pension pursuant to the requirements of Section 190.15 of the city Charter. Reiner's theory of the case is that his disability pension is payable out of the New System Fund and that his contributions made toward the

payment or a pension on account of years of service were deposited in the New System Service Pension Fund and since those monies are non-refundable, the City is "double-dipping" in that it recoups its workers' compensation obligation and at the same time keeps his contributions without having to pay a service pension.

A number of pre-trial proceedings have been had in the case as of the time for this report, including the City's demurrer which was sustained in part and overruled in part.

### ***Rita Rosa v. Board of Pension Commissioners***

Rita Rosa, a former police officer and member of the New Pension System applied for a disability pension on account of claimed injuries of a psychological and orthopedic nature sustained while in training at the Police Academy, from which she never graduated. The application was denied and subsequently challenged in Superior Court.

The Court focused on evidence in support of a finding that Rosa, subsequent to her injuries at the academy and subsequent to her resignation from the Los Angeles Police Department was not at all times disabled. However, since Rosa is a former member, her disability, in accordance with applicable Charter provisions, had to have been continuous from the date of injury to the date of the Board hearing to make her eligible for disability retirement and the court so held.

### ***Ryan v. Board of Pension Commissioners***

William F. Ryan filed application for a disability pension pursuant to Charter section 190.12 on May 1984. Ryan's case was assigned to a hearing examiner who, after hearing on June 4, 1985, concluded that Ryan was disabled due to service related causes and that a service-connected disability pension should be granted. Said recommendation was rejected by the Board on September 5, 1985.

Subsequent thereto, the Board on November 14, 1985, conducted a full and open hearing on Mr. Ryan's application and rejected his application upon a finding that but for his disciplinary LAPD termination Ryan was capable of performing the duties to which he could be assigned, to wit, light police duties.

## LEGAL SUMMARY

Ryan thereafter file a Petition for Writ of Mandate in Superior Court challenging the Board's determination. The matter was heard on October 26, 1987, in Department 85 of the Superior Court.

The court applied the independent judgment test to the evidence in the administrative record and granted Ryan's petition on the basis that in its opinion he was disabled from regular duty performance and the evidence failed to show the LAPD had an available light duty position which would accommodate his medical restrictions.

The City Attorney, on behalf of the Board, noticed an appeal of the superior Court decision believing that the court had committed a legal error in granting Ryan's petition on the basis that the LAPD had not articulated a sufficient light duty position for Ryan, a terminated employee who could not be returned to the LAPD regardless.

The case was argued in the Court of Appeal on August 1, 1989. by unpublished opinion filed August 21, 1989, the Court of Appeal affirmed the Superior Court judgment finding that there was substantial evidence before the trial court to support the judgment.

Based upon the rationale articulated by the Court of Appeal, i.e., a finding of substantial evidence to support the trial court decision, the City Attorney recommended against seeking further review.

Ryan subsequently was awarded a service-connected disability pension pursuant to the initial trial court order of October 26, 1987.

### *Schaffer v. Board of Pension Commissioners*

Ronald L. Schaffer was granted a non-service-connected disability pension by the Board on October 2, 1980. On February 3, 1981, Schaffer filed a Petition for Writ of Mandate in Superior Court challenging the denial of a service-connected disability pension. Said petition was denied in Superior Court on June 21, 1981.

Schaffer noticed an appeal of the Superior Court judgment on August 11, 1981, but thereafter abandoned that appeal without explanation.

No further action was taken in this case until May 25, 1983, when Schaffer filed a complaint for Declaratory Relief again seeking a service-connected disability pension.

Schaffer's 1983 Declaratory Relief complaint was followed by his Motion for Summary Judgment filed on August 14, 1985, Said motion was denied without prejudice in Superior Court on September 30, 1985.

Schaffer again took no immediate action and, on April 7, 1988, filed an At-Issue Memorandum indicating his readiness for trial on his Complaint for Declaratory Relief.

Trial took place on July 18, 1988. The Court ruled in favor of the Board finding that the question of entitlement to a service-connected disability pension had been decided at trial on June 24, 1981, and that based on the theory of *res judicata* that decision should not be disturbed.

Schaffer filed timely Notice of Appeal and oral argument thereon was heard on August 24, 1989, in Division 2 of the Second Appellate District of the Court of Appeal. In an unpublished opinion filed September 5, 1989, the Court of Appeal affirmed the Superior Court decision agreeing that Schaffer's failure to appeal the June 1981, trial court decision barred him from litigating the same issue at a later time.

The issue of Mr. Schaffer's entitlement to a service-connected disability pension now is finally settled and cannot be the subject of further review attempts.

### *United Firefighters of Los Angeles, et al v. City of Los Angeles, et al (Proposition H litigation)*

On June 8, 1982, the qualified electors of the City adopted Proposition "H", amending certain Charter provisions to effectuate a limit on cost of living entitlements of fire and police pensioners, effective July 1, 1982. The limitation was to effect only those rights to cost of living adjustments that would accrue on account of services rendered after July 1, 1982. All rights based upon service prior to said date. (i.e., consumer price index oriented cost of living adjustments), were not affected by Proposition "H."

The employee organizations represented the members of the fire and police pension systems filed a complaint, challenging the amendments, principally on the grounds that they unconstitutionally deprived the members of vested pension and contract rights.

The City's defense was that there is a distinction to be drawn between earned and unearned benefits to determine the validity of the amendment.

Upon a Motion for Summary Judgment, the Superior Court agreed with the City's position by granting partial summary judgment. The Court did not rule on the issue of the validity of apportionment of cost of living adjustments, which was also implemented by the Proposition "H" amendments.

After the Court of Appeal handed down its decision in *Pasadena Police Officers' Association v. City of*

## LEGAL SUMMARY

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*Pasadena* (147 Cal.App. 3d 695), a case somewhat similar to the Proposition "H" litigation, the plaintiffs in this case petitioned the Superior Court for reconsideration of its prior decision.

Early in 1985, the plaintiffs moved for reconsideration of the Superior Court's action granting a summary judgment. Plaintiffs prevailed. The case went to trial in February of 1987, at the conclusion of which judgment was rendered in favor of plaintiffs. The court ruled that Los Angeles City Charter Section 184.96 and 190.143, subsections (A) (1), (A) (2), and (A) (4) imposing a 3% limitation on cost of living adjustments to a portion of the pension benefits under Articles XVII and XVIII are invalid and unenforceable because each of them is a law impairing the obligation of contract within the meaning of Article I Section 9 of the Constitution of the State of California and Article I, Section 10, Clause 1 of the Constitution of the United States.

The City appealed from the decision of the Superior Court, however, on April 26, 1989, the Court of Appeal rendered its decision affirming the judgment of the court below. The City petitioned the State Supreme Court for review of the Court of Appeal decision, which petition was denied as was a petition for certiorari with the United States Supreme Court. The matter is now final and concluded.

### *Wilmington v. Wilmington*

Pursuant to a marriage dissolution judgment filed on March 31, 1989, Carol Ann Wilmington was awarded one-half (1/2) of the community interest in the pension benefit of Walter Thomas Wilmington, an active firefighter. The Board was ordered to begin payment of such interest upon Mrs. Wilmington's election, regardless of Mr. Wilmington's active status.

The Superior Court judgment also awarded Mrs. Wilmington a survivor interest [a continuation of her community property share] in the event of Mr. Wilmington's prior death.

Neither of these benefits is a feature of the New Pension System, the pension system of which Mr. Wilmington is a member. Although he currently is eligible to retire on account of years of service, Mr. Wilmington has not chosen to terminate his service.

The City Attorney submitted a Superior Court trial brief in this matter and participated in oral argument on December 4, 1987. Notwithstanding this office's opposition to Mrs. Wilmington's requested relief, the court remained of the opinion that newly-enacted Civil Code Section 4800.8 permitted such award of benefits.

Timely Notice of Appeal was filed by this office on May 31, 1989. The record on appeal currently is being assembled by the Clerk of the Superior Court. Oral argument before the Court. Oral argument before the Court of Appeal will follow its preparation.

### *Other Significant Legal Matters*

1. The City Attorney represented the Board in the matter of the Unfair Employee Relations Practice Claim No. 674 by the United Paramedics of Los Angeles (UPLA). The UPLA claim was that the Board violated Section 4.860 of the Los Angeles City Employee Relations Ordinance by unilaterally amending its rules affecting the right of UPLA's members to purchase service credit in the pension system. The case was before the Employee Relations Board on two separate occasions and was ultimately denied on July 10, 1989.
2. Throughout the fiscal year the office was involved in numerous meetings regarding the limitations on pensions and plan qualifications under Sections 415 and 401(a) of the Internal Revenue Code (IRC), which culminated in Charter amendments of Articles XVII, XVIII, and XXXV, which were prepared by the City Attorney, presented to the City Council and adopted at the June 5, 1990 election.

The Charter changes had become necessary since it had been determined that in order for a pension plan to be qualified (or "tax-exempts"), it must comply with the requirements of Section 401(a) of the IRC. One of the qualification requirements is that a plan cannot allow for the possibility that benefits will be provided in excess of those permitted under IRC Section 415 (Section 401(a)(16)). Under a "grandfather" provision of the Technical and Miscellaneous Revenue Act of 1988, the City would be permitted to preserve excess benefits as long as it elected that future employees would be bound by the limits. The elections was achieved by the Charter Amendments.

3. Charter amendments were prepared for the June 5, 1990, election (and were adopted) amending Sections 184.9 and 190.141 of the City Charter to provide for cost-of-living adjustments to the pensions of eligible survivors as of the July 1st following the effective date of their pension if the member has died due to service-connected causes, thereby eliminating the previous waiting periods.

## LEGAL SUMMARY

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4. The City Attorney prepared and submitted to the City Council for adoption four health subsidy ordinances:
  - (a) Police – Captain and above
  - (b) Police – Lieutenant and below
  - (c) Firefighters and Fire Captains
  - (d) Fire Chiefs
5. The City Attorney got involved in a number of other projects some of which are enumerated herein:
  - (a) A ruling was requested from the Fair Political Practices Commission regarding the applicability of certain disclosure requirements of the Political Reform Act to the Board's investment managers. Although the matter was not finally settled by the end of the fiscal year, it appears now safe to assume that outside money managers are generally not subject to the provisions requiring disclosure.
  - (b) As usual, the office drafted or reviewed a great number of contracts and approved them as do form. Also prepared were numerous requests for accounting in conservatorship matters and many other documents were prepared and/or approved.
  - (c) The City Attorney started to spear-head legislation to change the provisions of Section 4800.8 of the California Civil Code which vitally affect the pension systems.

# *Description of Pension Benefits*

## DESCRIPTION OF PENSION BENEFITS

	Article XVII	Article XVIII	Article XXXV
<b>1. SERVICE RETIREMENT</b>			
a. Eligibility	20 years of service	20 years of service	Age 50 with 10 years of service.
b. Salary Base	Final salary rate	Final Salary rate	One-year average salary.
c. Pension as a percentage of salary base	40% at 20 years of service, plus 2% for each additional year up to 25 years of service, plus 1 $\frac{2}{3}$ % for each additional year between 25 and 35 years of service.  Maximum of 66 $\frac{2}{3}$ % for 35 or more years of service.	40% at 20 years of service, plus 2% for each additional year up to 25 years of service. 55% at 25 years of service, plus 3% for each additional year between 25 and 30 years of service.  Maximum of 70% for 30 or more years of service.	2% per year of service up to 20 years of service, plus 3% for each additional year of service up to 30 years of service.  Maximum of 70% for 30 or more years of service
<b>2. SERVICE-CONNECTED DISABILITY</b>			
a. Eligibility	No age or service conditions	No age or service conditions	No age or service conditions
b. Salary Base c. Pension as a percentage of salary base	Final salary rate 50% to 90% depending on severity of disability.	Final salary rate 50% to 90% depending on severity of disability.	One-year average salary 30% to 90% depending on severity of disability, with a minimum of 2% per year of service.
<b>3. NON-SERVICE-CONNECTED DISABILITY</b>			
a. Eligibility	Five years of service	Five years of service	Five years of service
b. Salary Base	Final salary rate for highest-paid police officer's or firefighter's rank.	Final salary rate for highest-paid police officer's or firefighter's rank.	One-year average of member's own salary.
c. Pension as a percentage of salary base	40%	40%	30% to 50% depending on severity of disability
<b>4. SERVICE-CONNECTED DEATH OR DEATH AFTER SERVICE-CONNECTED DISABILITY</b>			
a. Eligibility	No age or service conditions for member.	No age or service conditions for member.	No age or service conditions for member.
b. Salary Base	Final salary rate	Final salary rate	One-year average salary
c. Eligible spouse's benefit as a percentage of salary base.	50%  Pension stops upon remarriage	50% with less than 25 years of service  55% with 25 or more years of service.  Pension stops upon remarriage.	75% if service-connected death or disabled less than 3 years; otherwise 60% of member's disability pension.  Pension stops upon remarriage.
d. Children's benefit as a percentage of spouse's benefit.	100% if spouse not receiving benefits, otherwise: 25% for one child 40% for two children 50% for three children  Pension not payable after child reaches age 18 unless child is disabled before age 21.	Same as Article XVII	Same percentage as Article XVII.  Pension not payable after child reaches age 18 (age 22 if in school) unless child is disabled before age 21.
e. Dependent parent's benefit as a percentage of spouse's benefit	100% if spouse or children not receiving.	Same as Article XVII.	Same as Article XVII.

## DESCRIPTION OF PENSION BENEFITS

	Article XVII	Article XVIII	Article XXXV
<b>5. DEATH WHILE ELIGIBLE FOR SERVICE RETIREMENT OR DEATH AFTER SERVICE RETIREMENT</b>			
a. Eligibility	20 years of service	20 years of service	Age 50 with 10 years of service.
b. Eligible spouse's benefit	50% of final salary rate.  Pension stops upon remarriage.	Member's accrued service retirement, not to exceed 55% of final	60% of member's accrued service retirement. At retirement, member may elect higher death benefit with corresponding actuarial reduction of service retirement benefit. Pension stops upon remarriage.
c. Children's benefit as a percentage of spouse's benefit.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death
d. Dependent parent's benefit as a percentage of member's benefit.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.	Same conditions and percentages as for service-connected death.
<b>6. NON-SERVICE-CONNECTED DEATH OR DEATH AFTER NON-SERVICE-CONNECTED DISABILITY</b>			
a. Eligibility	Five years of service.	Five years of service.	Five years of service.
b. Eligible spouse's benefit.	40% of final salary rate for highest-paid police officer's or firefighter's rank; if eligible for service retirement, the accrued service retirement not to exceed 50% of final salary rate.  Pension stops upon remarriage.	40% of final salary rate for highest-paid police officer's or firefighter's rank; if eligible for service retirement, the accrued service retirement not to exceed 55% of final salary rate.  Pension stops upon remarriage.	For non-service death: 30% of final one-year average salary or, if eligible for service retirement, 80% of accrued service retirement not to exceed 40% of final one-year average salary. For death after non-service disability; 60% of member's pension.  Pension stops upon remarriage.
c. Children's benefit as a percentage of spouse's	100% if spouse not receiving benefit, otherwise: 25% for one child 40% for two children 50% for three children  Pension not payable after child reaches age 18 unless child is disabled prior to age 21.	Same as Article XVII.	Same as Article XVII, except benefit payable until age 22 if child attends school full time.
d. Dependent parent's benefit as a percentage of spouse's benefit.	100% if spouse or children not receiving.	Same as Article XVII.	Same as Article XVII.
<b>7. COST-OF-LIVING</b>			
a. Generally applicable provisions.	Current Plan Provision:  Full annual cost-of-living increase.  Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers.	Current Plan Provision:  Full annual cost-of-living increase.  Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers	Annual cost-of-living increase not to exceed 3%.  Cost-of-living increases compound, and are based upon the Consumer Price Index for all Urban Consumers.



## DESCRIPTION OF PENSION BENEFITS

	Article XVII	Article XVIII	Article XXXV
<b>7. COST-OF-LIVING Continued</b>			
a. Generally applicable provisions (cont'd)	Survivors' pensions include the percentage of cost-of-living increases applied to the member's pension prior to death.	Survivors' pensions include the percentage of cost-of-living increases applied to the member's pension prior to death.	City Council may grant discretionary cost-of-living increases once every three years.  Survivor's pensions include the percentage of cost-of-living increases applied to the member's pension prior to death.  Pro rata adjustment in the first year of retirement.
b. Effective date of cost of living increases			
i. Service retirement	Annual increases commence on the July 1st following the later of the effective date or the date the member would have been age 55.	Annual increases commence on the July 1st following the later of the effective date or the date the member would have completed 25 years of service.	Same provision for all types of pensions. Annual increases commence on the July 1st following the effective date.
ii. Service-connected disability	Annual increases commence on the July 1st following the effective date.	Annual increases commence on the July 1st following the effective date.	
iii. Non-service-connected disability.	Annual increases commence on the date the member would have been age 55 or 5 years after the effective date of the pension, if earlier.	Annual increases commence on the date the member would have had 25 years of service or 5 years after the effective date of the pension, if earlier.	
iv. Service-connected death, non-service-connected death, death after service-connected disability, death after non-service-connected disability, death while eligible for service retirement.	Annual increases commence on the date the member would have been age 55 or 5 years after the effective date of the pension, if earlier.	Annual increases commence on the date the member would have had 26 years of service or 5 years after the effective date of the pension, if earlier.	
<b>8. MEMBERS' CONTRIBUTIONS AS AN ANNUAL PERCENTAGE OF PAY</b>			
	6%.  No member contributions required after thirty years of service.	6% plus ½ cost of cost-of-living benefit up to 1%.  No member contributions required after thirty years of service.	8%.  No member contributions required after thirty years of service.
<b>9. MISCELLANEOUS</b>			
a. Vesting of service retirement.	No vesting until retirement.	No vesting until retirement.	After 10 years of service.
b. Return of contributions with interest.	On termination or death if no other benefits are payable.	On termination or death if no other benefits are payable.	On termination or death if no other benefits are payable (except basic death benefit).
c. Basic death benefit.	None.	None.	In addition to return of contributions, beneficiary receives one-year average salary times years of completed service (not to exceed 6).

# *Milestones*

## MILESTONES

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**1899-1901.** A pension system for policemen was authorized by the California State Legislature and became effective in the City of Los Angeles on June 7, 1899. A pension system for firemen, similarly authorized, became effective June 10, 1901. Basic retirement provisions were one-half of salary of rank held after 20 years of service and attainment of age 60, and a service-connected disability pension of one-half of salary of the rank held at the date of retirement. There were also dependent benefits.

**1913-1919.** The Los Angeles City Council, by ordinances effective September 16, 1913, adopted the substance of the systems authorized by state statute, but reduced the minimum retirement age to 55 and eliminated contributions. In 1914 such ordinances were amended to provide for a pension of one-half of the salary attached to the rank after 20 years of service, without limitations as to age.

**1923-1925.** Effective January 29, 1923, the substance of these two ordinances was adopted into the Charter. The system was placed upon an actuarial basis. Also 1 $\frac{2}{3}$ % for each year of service, in addition to the minimum of 20 required was authorized up to a maximum pension of two-thirds of the salary of the rank held. This was continued in the new City Charter which became effective July 1, 1925. Added was a provision that service and disability pensions would remain fixed amounts.

**1927.** Effective January 17, 1927, the Charter was amended to provide that all members entering the service after that date would receive 50% of the average salary during the last three years for 25 years of service, plus 1 $\frac{2}{3}$ % for each of the next 10 years of service. This amendment imposed a limit upon service pensions at a pension of \$1800 per year. Members' contributions to the cost of the system were set at 4% of salary. Pensions for widows were made fixed amounts.

**1933.** Effective May 15, 1933 the Charter was amended to eliminate the actuarial requirements and place the system essentially upon a "pay-as-you-go" basis of operation.

**1947.** Effective June 16, 1947, the Charter was amended to create an off duty disability pension 40% of the highest salary attached to the rank of fireman or policeman. A non-service dependent's pension provided a pension for 40% of the highest salary attached to the rank of fireman or policeman at the date of

death. Additional percentages were allowed the surviving spouses for minor children under 18 and unmarried. Members entering subsequent to January 17, could retire after 20 years of service upon 40% of the average salary for the last three years of service. In addition, they would receive 2% for each of the next five years of service, and 1 $\frac{2}{3}$ % for each of the next ten years of service. The maximum pension of two-thirds of average salary was retained, but the 1927 limitation was raised to accord was salary level of a police captain or fire battalion chief. Contributions were increased from 4% to 6% of salary.

**1957.** Effective April 18, 1957, an amendment removed the maximum limit attached to rank on service pensions.

**1958.** The California Supreme Court ruled that the 1925 Charter provisions for fixed pension ~~did~~ not apply to members employed prior to July 1, 1925, not to surviving spouses of members employed prior to January 17, 1927.

**1959.** Effective May 6, 1959, the Charter was amended to reestablish the system on an actuarial basis, with a 50-year amortization period for the unfunded liabilities, and the investment provisions were changed to permit investing up to 35% of the fund in common stocks.

**1961.** Effective July 1, 1961, a Charter amendment provided a one time cost of living increase on all members' or widows' pensions that were based on service connected disability or death.

**1967.** Article XVII was extensively amended, and a New Pension system in Article XVIII was adopted effective January 29, 1967; to provide: annual cost of living adjustments to all members' or surviving spouses pensions that were based on length of service retirement, to 55% at 25 years of service, plus 3% per year for a maximum of 70% at 30 years of service; a minimum pension of \$250.00 per month, to be adjusted each year by the cost of living formula; an extension of the funding period to 70 years; changes in the investment authority to provide for mortgage investments and public <sup>im</sup>provement financing; and other changes.

**1968.** Articles XVII and XVIII were amended to exclude overtime compensation from computation, either for contributions or for benefits.

**1969.** Articles XVII and XVIII were amended effective May 2, 1969, to apply cost of living adjustment to disability pensioners and to their dependents' pensions.

## MILESTONES

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Service pensioners were authorized to apply for return to active duty under specified limitations. The authorized limit for common stock investments was raised to 50% of the funds.

**1971.** Articles XVII and XVIII were amended effective July 1, 1971, to remove the 2% per year cost of living ceiling from all pensions eligible for cost of living increases; to increase the minimum pension to \$350.00 per month; to grant pension credit for partial years of service; to bring into closer agreement certain provisions that were different in the two articles; and to add two employee members to the Board of Pension Commissioners.

**1974.** Articles XVII and XVIII were amended to enable the City Council to adopt ordinances allowing subsidy payments to be made toward health insurance and other programs for eligible pensioners.

**1975.** Articles XVII and XVIII were amended to allow cost of living adjustments for service-connected disability pensions of retired firefighters and police officers upon the July 1st following the date of retirement. This amendment eliminated certain waiting period for those eligible to receive cost of living adjustments.

**1976.** Article XVII was amended, effective April 15, 1977, to eliminate the mandatory retirement age provisions. Also, the ordinance governing health insurance subsidy for pensioner was amended, effective September 30, 1976, to include subsidy payments on behalf of spouses and dependents of eligible members.

**1980.** Article XXXV, The Safety Members' Pension Plan was adopted for new hires effective December 8, 1980 to provide; a 3% cap on the cost-of-living adjustment; refundability of pension contributions with interest upon termination; 2% per year of service up to 20 years, the 3% per years to a maximum of 70%; 60 of member's pension for surviving spouse; and other provisions.

**1981.** The investment provisions of all Articles were extensively revised and provided among other changes:

the investment of up to 70% in common stock and up to 25% of the 70% without dividend record and registration on a national securities exchange; the investment of 35% in short term securities; the appointment of a securities custodian bank; a requirement to retain investment advisors registered under the Investment Advisors Act; the selling and repurchasing of covered call options, and permission to conduct transactions and exchanges of securities without specific prior Board approval within established guidelines.

**1982.** Articles XVII and XVIII were significantly revised with the passage of a charter amendment in June. A 3% cap on the cost-of-living adjustment was added for all future service earned by active members. Also all active members became entitled to refunds of contributions if they should terminate prior to retirement. Cost-of-living adjustments were pro-rated for the first year of retirement.

**1982.** Proposition V passed by voters in November provided for the transfer of paramedics and civilian ambulance drivers from the City Employees' Retirements System to the Safety Members' Pension Plan (Article XXXV).

**1983.** Charter amendment 5 allows for Article XVII and XVIII active members to discontinue contributions to the pensions system upon completion of 30 years of service.

**1985.** Charter amendment 2 allows for investments in real estate by all City of Los Angeles Pension Systems.

**1990.** Charter Amendment I removes the waiting period for the cost of living adjustment for surviving spouses of members hired before December 8, 1980 who die while active in the line of duty. Charter Amendment J allows the city—through a series of measures—to protect the integrity of the entire pension system in light of new tax code regulations, Section 415. The 3% cap on cost-of-living increases instituted in 1982 for Article 17 & 18 members was overturned by court order.

**CITY OF  
LOS ANGELES**



**DEPARTMENT OF PENSIONS  
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